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PART I

PRECIS-WRITING

PRECIS-WRITING

CHAPTER I

Introduction

1. The art of condensing passages to varying lengths is exceedingly useful and calls into play several faculties which require exercise if one wishes to become a capable citizen. Every **journalist** has to perform this task for the newspaper to which he belongs; every **story-teller** has to do it when he reproduces some tale or tales; every **letter-writer** does it in his summary of the week's events when he writes home; no **typical public servant**, in whatever public service he may be employed, can avoid it under any circumstances, when he has to present a series of letters or correspondence in a consecutive and readable statement expressed as briefly and distinctly as possible. There is practically no profession, trade or calling from which the precis-making habit of mind can be excluded.

2. The word **precis**, though frequently used in English, is a French word meaning summary, abstract, condensed statement, epitome. It is pronounced **pressee** and is connected with the English word "**precise**". A **precis** is the gist or main theme of a passage, a letter or a series of letters, expressed in as few words as possible. It should be **lucid, succinct** and **full** in respect of all **essential points**, so that even a casual reader of it may be able to grasp the main points and general effect of the passage or correspondence summarised.

Precis-writing does not mean paraphrasing. A paraphrase should contain not only the gist of a passage, but also all its details, collected and presented in a coherent form. It will be at least as long as the original. But a precis must always be much shorter than the original, for it is intended to express only the main theme shorn of all unessential details, and that as tersely as possible. A precis in a Government office serves the most useful and effective purpose of placing before those who have to deal with the letter or correspondence of which it is a precis, the salient points of the original so as to enable them to deal with the subject-matter of the letter or correspondence as completely and thoroughly as possible. The length of a precis would therefore depend not on the number of letters and amount of matter a correspondence contains, but on the number of points or separate facts involved in it.

That brevity is the soul of wit, everybody has to accept, but it does not imply that any important point or points or matter may be left out. A precis besides being brief must be complete and quite satisfying. Again it must be noted that brevity does not mean a sacrifice of clearness or clarity of thought, vision, or perspective. If, for example, a letter or correspondence contains a series of events or arguments, the precis should state them all not only concisely but also clearly: for a precis, far from clouding or confusing the purport or meaning of its subject, must present it in a clear, easily intelligible and understandable manner. If the precis-writer sees or thinks that he sees any flaw in the argument, that is a matter which does not concern him. The drift or substance is the only thing that he is allowed to think of: this he must reproduce in the clearest and fewest words. Choice of words and phrases is another essential feature of a precis. Words and phrases which do not convey the exact meaning intended by the subject, should be sedulously avoided. Here it is necessary to remark that precis-writing means conveying the purport of a given subject as is stated or meant to be conveyed in itself, and not

how the precis-writer considers it should be conveyed. **Remarks** on a subject, which may be technically termed "Precis-notes" have no place in a precis proper which is but a faithful rendering of the subject of the original. If it is not very **accurate**, its efficiency will be destroyed. Above all, a precis should be quite **readable** and **intelligible** in all its aspects, and even an appearance of obscurity or ambiguity should be avoided. It is presumed that the precis-writer has a sufficient discernment and judgment; an adequate knowledge of grammar and the power of using right words in their proper places.

Precises are generally made out in the cases of correspondence containing a series of events, or describing the course of a particular matter, or enshrining a collection of opinions or reports of some question or fact. In the case of a correspondence containing the history of a particular case, showing how it arose, the line it took, and how it ended, the simple plan is to **arrange** the several letters in chronological order and get a definite insight into the subject by reading the first and last letters. Then the precis-writer can easily follow the course of events when reading through the correspondence. In regard to a mere collection of opinions or reports, any order of thought may be followed. But the precis-writer should carefully read through the letter calling for the reports or setting forth the matter on which opinions are invited and **note the several points on which report is called for or enquiry made**, and convince himself that all the points raised have been touched upon, and finally write down briefly their import. A precis should not contain a single statement which is not supported by the original papers, and the margin is intended for noting the references to the several letters or paragraphs in the subject matter and hence indicating the authorities for the several statements made in the precis so as to make an easy reference to the original documents possible. The **formal** aspect of a precis should readily catch the eye. Hence **paragraphs**, as many of them as the individual major points require, are very essential. Every precis should begin

with a brief statement of its subject matter. Such a thing is as essential to a precis as the title is to a book, for it gives the reader at first glance, an idea of the matter dealt with.

CHAPTER II

Uses of Precis-writing

Precis-writing is a good exercise in reading. Many readers seem to read books, reviews, newspapers, reports and correspondence rather carelessly and retain only a hazy idea of what they have read. It is idle to complain that one cannot remember what one has read because one's memory is so weak. No, it is not the memory that is weak, but the reader's attention was not fully concentrated on the passage while he was reading it. The Precis-writing habit forces a person to pay attention to what he reads; for no one can give the gist of any passage unless he has clearly grasped its meaning. So precis-writing affords excellent training to the mind in concentration of attention.

It is also a very good exercise in the art of self-expression in writing. It teaches a person how to express his thoughts clearly, briefly, completely and effectively. It is a good corrective to loose thinking and diffuse writing. The precis-writer has to express a certain meaning within a limited space. So he learns to choose his words carefully, to construct his sentences with an eye to completeness and brevity, and to present the subject matter in a logical sequence.

Increasing and continuous practice in precis-writing is of very great value to every citizen in practical life. In any walk of life, the ability to grasp quickly and correctly what is read or heard, and to reproduce it clearly and concisely is a very valuable asset. It is particularly essential for Government officials, lawyers and businessmen.

CHAPTER III

General Principles

The ability to make a good precis is very valuable possession. By developing that ability, we can get at the essence of any matter, however involved it may be in detail, and make a clear and concise statement about it so that any one can easily grasp the main points. A typical precis will give the outline of a passage, the important threads of an argument, the gist of a correspondence or of a committee's report, without any irrelevant matter. Such a summary has a great practical value, and constant practice of that art is no less valuable. It trains the mind to think clearly, to sift the given material, and to express itself pointedly. Every precis-writer has to bear in mind some general principles in making out a precis which may be summed up under the headings **selection, perspective, order, conciseness, clearness, smoothness and unity.**

1. Selection.

The method of selecting details consists in seizing the most important points from a mass of matter, and can be successfully employed only when the entire subject-matter has been thoroughly mastered. Only then can one determine what is essential to the understanding of what the writer is saying, and what is not. If the meaning is clear in your mind, the precis will be clearer than the original. To read the passage or correspondence through a third or even a fourth time in order to understand it perfectly is no waste of time, but a bare necessity to the understanding, provided the precis-writer has a perfect control over the barons of his mind in the course of every reading. During each reading, the mind will unconsciously be selecting the salient features.

In order to assist the understanding, the precis-writer may usefully underline the chief words or sentences in the course of the second reading. Subsequent readings will show how far the underlined portions of the original are necessary. This process of scrutiny

tiny may seem at first formidable, but with a little practice it will soon become almost sub-conscious. This selective process can be illustrated with reference to this passage :

“The instinct of expansion is one of the most vital instincts in man. It is an essential factor in his development, and is, indeed, as important to man as light is to the vegetable kingdom.”

In this passage, the simile which compares the importance of the instinct to that of light is an illustrative one and can safely be ignored in a precis.

Ans. “Expansion is one of the most vital and essential instincts in man.”

This may be a proper precis of the original passage. So in this process of selection, comparisons, particular examples, and illustrative similes and figures are to be omitted.

2. Perspective.

Closely associated with the selection of points is the process of securing the true perspective. All the important points are not equally important. The central thought or ideas should be marked out, and the others arranged in accordance with their relative position in the original. This principle may be illustrated with reference to a passage on the causes of unemployment.

“Unemployment arises from a variety of causes. One which is always recurring, and of the effects of which we have had a recent example, is the disorganization of industry resulting from a long war ; this is a serious problem admitting of no easy solution at the best of time. Again, there is the unemployment which follows a marked diminution in the quantity of any raw product, such as cotton ; fewer hands are required in the mills and factories. We

may call this cause "bad harvests." Similar, but more serious, is the effect of changes in industry due to the invention of machinery which does more work and requires fewer workers. And yet another serious cause is a strike or lock-out; and this is the more to be deplored because such a stoppage sometimes is due to a very trivial matter—perhaps the fact that men are working half an hour longer than the regulations of their union permit."

Now suppose a precis of this passage reads thus :

"Outstanding among the causes of unemployment are the disorganisation of industry by war, the diminution in the supply of raw materials, and the introduction of labour-saving machinery. Another important cause is the dislocation brought about by industrial disputes, and this sometimes arises from so trivial a factor as half an hour's over-time."

The writer of this precis has grasped the essentials, but, by separating the fourth cause of unemployment from the others, and by including the needless detail about over-time he has given it an undue prominence. In other words, he has lost his sense of perspective. The original merely states four causes, and none of them is emphasised more than the others. Moreover, as the precis has rightly omitted the details in the first three causes, it must effect an omission in respect of the last cause also. Thus the precis should read :—

Ans. "The leading causes of unemployment are the disorganisation of industry by war, the diminution in the supply of raw materials, the introduction of labour-saving machinery and the dislocation due to industrial disputes."

3. Order.

Next in importance comes order. A precis must present a clear, connected sequence of ideas, a kind of logical continuity.

Any breach of order is always inexcusable and most of all in a precis. One part of a passage, report or correspondence comes inevitably before another. If you vary the order you produce confusion and the thought becomes difficult to follow. So a precis must be made out with careful attention to order, and in a precis of a continuous passage such as is set in most examinations the order will almost invariably be the order of the original. It is only when handling a group of documents that the problem of determining the order afresh is likely to arise. The precis-writer must be perfectly certain that the thoughts follow in the right succession.

4. Conciseness.

Another quality which hardly needs emphasizing is that which gives the precis its name, namely, conciseness. A precis should be as brief as is compatible with other general principles, but conciseness does not mean omission of important ideas or words. This faculty can be developed by constantly abridging in words or phrases ideas which are contained in clauses and sentences. In condensing aim at remodelling rather than at mere omission. We may omit mere repetitions, illustrations and examples; but we may change figures of speech into literal expressions, compress wordy sentences, and alter phrases to words. A few examples will make this point clear.

1. "His courage in battle might without exaggeration be called lion-like."
2. "The account the witness gave of the incident moved every one that heard it to laughter."
3. "These came to his recollection."
4. "The clerk who is now in his employ."
5. "They acted in a manner that rendered them liable to prosecution."
6. "He got up and made a speech on the spur of the moment."

7. "Sabapathi fell into the river and, before help could reach him, he sank."

8. "He was hard up for money and was being pressed by his creditors."

These sentences and clauses can be briefly rendered thus :—

1. He was very brave in battle.
2. The witness's story was absurd.
3. He remembered.
4. His present clerk.
5. They acted illegally.
6. He spoke off-hand.
7. Sabapathi was drowned in the river.
8. He was in financial difficulties.

Sometimes single words may take the places of groups of words. Let us now try the art of substitution.

1. He was a man in whom one could place every confidence..

Ans. He was a trustworthy man.

2. His tale was altogether too strange to be believed.

Ans. His tale was utterly incredible.

3. The glorious source of light and life.

Ans. The sun.

4. A workman who is capable of doing all that his task involves is one whose value it is impossible to over-estimate.

Ans. A skilled and valuable workman.

5. A judge at a trial must be uninfluenced by any opinions which he may have previously formed.

Ans. A judge at a trial must be unbiassed.

5. Clearness.

Yet another indispensable feature of a precis is clearness.. Obscurity in expression shows a lack of clear understanding and inefficiency in writing. Without clearness of expression, no writing.

is good, but in a passage which is intended to give the reader as effectively and quickly as possible the gist of the matter, the writer must aim at it with particular care. The ideas of the original should be transported into the precis in plain and simple language. In doing so, care should be taken that it conveys the **exact meaning of the text**. Should there be any ambiguity in the original in respect of a sentence or clause, it is preferable to use the words of the text rather than give rise to a possible misstatement.

6. Smoothness.

Very often the writer of a precis in his desire for brevity produces a series of jerky sentences, of course, in the proper order, containing the gist of the matter. But it amounts to a pursuit of false economy of expression. It means that the parts do not fit neatly together, and thus the effect of the whole is spoilt. All that is to be done by the precis-writer is to supply a few link words such as 'but' or 'and'. The effect of inserting these small words is to replace jerkiness by **smoothness**, and every precis must aim at smoothness which is a good literary quality.

8. Unity.

Above and beyond all these things there is needed something which every precis must have. That is what is known as **unity of thought**. The precis must be an organic whole, not a mere sum of its various parts. To a reader, who has not read the original, it should appear a separate entity. The narrative must be continuous and the connecting links between one point and another must be obvious. The parts of a precis must not only be efficient parts, but they must be knit together indivisibly. Unity is the really vital quality of a precis, and without it the precis remains incomplete, a mass of words not yet fused into a living thought. A well-made precis is a complete literary form independent of the passage from which it is derived. Its obedience to the laws of literature is involved in its possession of unity.

CHAPTER IV

Method of Approach

Every young aspirant to fame and fortune in the public services should realize that precis-writing involves intensive brain work. There is no easy short-cut to summarising a passage. To tear the heart of a passage presupposes intense **concentration of mind**; and every precis-writer must be prepared for **close attention** and **hard-thinking**. Any prescribed rules can at best be a rough guide.

All persons think at different rates, and some minds can cover in one step the ground which others take two or more steps to cover. But the stages indicated below are those which a beginner should always follow, and by which even a trained precis-writer will proceed at least sub-consciously.

1. Read the passage or correspondence through carefully, but not too slowly, to understand the general meaning.

2. If one or two readings are not enough to make you grasp the meaning, do not hesitate to read through over and over again until something definite dawns on your mind.

3. It is possible that in the course of your second reading, you are to determine what are the main ideas. Underline them or otherwise mark them out. In the course of your third reading, you may as well cross out those portions of the narrative which strike you to be clearly unessential.

4. Sum up the matter in a short, but comprehensive title. Candidates for several departmental examinations are often asked to suggest suitable titles, and, in any case, the thought required to determine the title helps towards writing the precis. The title can also serve as a criterion by which to judge the perspective of the precis, and the relevance to the central theme of all the ideas that

make up the original. When once a clear idea of the subject is got even the ordinary student or examinee can succeed in getting at the right title.

5. Set forth the main ideas on paper. This will be your first draft of the precis. At this stage, the links between the ideas need not be inserted.

6. The mind should, by this stage, have completely understood the original, and be able to reproduce the thought in a summarised form with the minimum of reference to the passage. In fact, your mental picture of the precis is now well-nigh complete, so that the last step should be merely that of writing it down.

It is not likely that your first attempt will be a complete success. The draft may probably be too long. In fact, you may have to write out a second or even a third draft before you get at a suitable expression of the gist of the passage within the limits set. These steps may strike a budding precis-writer to be long and laborious, but it must be remembered that scamping the early stages makes the last step harder and less likely to be achieved successfully. A slow, but thorough beginning, on the other hand, makes the last step quick and easy.

7. The gist of the passage or correspondence should be expressed in your own words, and not in quotations from the original. You should condense by remodelling rather than by mere omission. The final precis must be self-contained and an organic whole. **"Add nothing ; make no comment ; correct no facts."**

8. Revise your work. Compare it quickly and carefully with the original to see that you have left out no important point. If it is too long, abridge it by crossing out needless words and phrases or by modifying sentences. Let the style of your precis be simple and straightforward. Correct all mistakes in spelling, grammar and idiom, and punctuate your composition properly.

CHAPTER V

Kinds of correspondence and the line of approach.

Official circles generally think in terms of three kinds of correspondence for which preces are required.

The first is correspondence going on between two departments of Government, say for example, the correspondence between the Development Department of the Government of Madras and the Chief Conservator of Forests on the subjects of reduction in Conservator's circles and Working Plans Officers and the closing down of the Forest College, which constitute the central thought of the Departmental test 1st September 1947 : **Precis-writing and Drafting.** It is otherwise called backward and forward correspondence. The first part of this correspondence comprising the Official Memorandum No. 1921-I/36-1, Development, dated the 9th May 1936 calling from the heads of Departments a thorough examination of the existing methods of administration with a view to find out whether they cannot be changed and economies secured thereby, and the Letter from the Chief Conservator of Forest addressed to the Secretary dated 12th February 1937 signifying the impossibility of suggesting any change in the method of administration—this part of the correspondence is comparatively less important than the rest. It must be skipped over in a few words. The second part contains the avenues suggested by the Government whereby some economies could be reached, as well as the Chief Conservator's detailed Letter dated 31st July 1937 stating his partial agreement with the Government in respect of certain economies and his stout defence of the existing arrangement of forest administration. This is somewhat more important than the first part, and the precis-writer has to remember some of the important details of this part while making out his precis of the entire correspondence. The third part of the correspondence comprises the Official Memorandum No. 724, I/37-8, Development dated 15th December 1937 to the Chief Conservator of Forests,

regarding their justification for reduction in different directions, a long Letter from the Chief Conservator of Forests containing his suggestions, and the orders on the Secretariat notes. Concentration and careful attention bestowed upon the third and last part of this interesting correspondence will enable the precis-writer to produce a brilliant precis.

The second kind of correspondence results when a local Government or authority sends up a case for orders. The Board of Revenue might have been corresponding with the Collectors on several issues and they may finally address the Government. The Government might in turn write to other Heads of Departments and a precis of such a correspondence may be set for the examination. Fortunately or accidentally, a precis of the whole case may be found in the Board's letter to the Government. The precis-writer can make an adroit use of it, if it suits his purpose. Sometimes, the Board may refer to enclosures. In such a case you have to pitch upon the matter found in the relevant portions of the enclosure and embody the subject in your precis. That is where your originality has full scope to display itself. To copy the enclosures entirely is merely to betray your lack of understanding and want of ability to express yourself.

The third kind of correspondence is what is generally set in the S. A. S. Examination papers. Such a correspondence occurs, say, when the Government of India or another authority forwards some proposals initiated by them to other Governments or bodies for remarks, and replies are received from the local Government or other bodies, consulted. In regard to a correspondence of this kind, you have to begin your precis thus: "In letter No.....the Government of India invited the opinions." If the proposal is initiated by some other Government, you will have to state both what that Government had suggested and the reaction of the Government of India to the proposal or their comments in the introductory part of your precis. Such will be

the first paragraph of your precis. The second paragraph may deal with the replies received from the several Governments. In this connection, it would be a good plan for you to frame a **tabular form** and to remember catch phrases such as: "**The replies received show,**" "**They were in effect,**" "**The several Governments were generally of the opinion**" and "**Several Governments did not agree to the suggestion.**" Of course, they would have stated their reasons or arguments for not accepting the proposal. The precis-writer has to produce them all in a very abridged form; otherwise his precis will be incomplete. After framing as many paragraphs as are needed by the main issues, you can supply a conclusion. This will depend upon the direction given in the question paper. The correspondence might end with a note stating the conclusions which the Government of India arrived at as a result of replies received. Perhaps that note itself may contain the gist of the whole matter, which will save you a lot of toil and trouble. Only you must be open-eyed enough to discover that summary.

You should not get disheartened at the length of the paper. A long paper may require a short precis. On the other hand, if the question paper is short, there may be too many points, which would tax your mental capacity most.

Never allow your mind to reflect on the length or shortness of the question paper. That will make you mechanical but not methodical. Rather the budding precis-writer must always be swan-like, separating the most delicious milk from the water that has been mixed with it.

S. A. E.
November 1945

(Time allowed—3 hours)

Full marks—200'150.)
Marks.

- (1) *Make a precis of the following correspondence.* 120/90
(2) *Prepare the draft mentioned in the note below the correspondence.* 80/60.

Serial No. 1.—Memorandum from the Under-Secretary to, Government, Appointment Department, to the Political, Finance, Education and Development (Education Branch), Education and Development (Development Branch), Revenue (Commerce), Legislative, Judicial, Public Works and Irrigation Departments, No. 1772-81-A. R., dated the 10th June, 1933.

• The undersigned is directed to forward for information a copy of the draft rules which have been provisionally framed by Appointment Department under Rule 54 of the Civil Services (Classification, Control and Appeal) Rules to regulate the discipline and appeals of members of the subordinate services under the control of Government and to request that any comments which the.....Department wish to make regarding the rules may be communicated at an early date. The attention of the.....Department is specially drawn to the inclusion of "fine" as one of the penalties which may be imposed on members of subordinate services (see Rule 1 (VI)). Their views are particularly requested as to what limitation should be placed on the power to impose this punishment.

Draft Rules framed under Rule 54 of the Civil Services (Classification, Control and Appeal) Rules to regulate the discipline and appeals of members of the subordinate services under the control of Government.

1. The following penalties may, for good and sufficient reasons, be imposed upon any member of subordinate services, viz.—

- (i) Censure.
- (ii) Withholding of increments or promotion, including stoppage at an efficiency bar.
- (iii) Reduction to a lower post or time-scale or to a lower stage in a time-scale.

(iv) Recovery from pay of the whole or part of any pecuniary loss caused to Government by negligence or breach of order.

(v) Fine.

(vi) Suspension.

(vii) Removal from the Civil Service of the Crown which does not disqualify from future employment.

(viii) Dismissal from the Civil Service of the Crown, which ordinarily disqualifies from future employment.

Provided that, except in cases where provision is made in a statute, the penalty of fine shall not be inflicted on such members of subordinate services (other than menials and inferior servants) as were in service on the 27th May, 1930.

Explanation.—The discharge—

(a) of a person appointed on probation, during the period of probation,

(b) of a person appointed, otherwise than under contract, to hold a temporary appointment, on the expiration of the period of the appointment,

(c) of a person engaged under contract, in accordance with the terms of his contract.

does not amount to removal or dismissal within the meaning of this rule.

Note.—For the procedure to be followed before an order of dismissal, removal or reduction can be passed, *see* Rule 55 of the Civil Services (Classification, Control and Appeal) Rules. In drawing up proceedings and conducting departmental enquiries, the instructions contained in the rules, which are reproduced in the Appendix to these rules, are to be followed except where more detailed instructions have been framed by the department concerned.

2. Subject to the provisions of any rules or orders which are in force at the time these rules come into operation, heads of departments and heads of offices may impose any of the penalties mentioned in Rule 1 upon members of subordinate services serving under them, whom they have power to appoint.

3. Every member of a subordinate service (including temporary Government servants and officers on probation) shall be entitled to appeal to the authority immediately superior to an authority which passed an order—

(a) imposing upon him any of the penalties specified in Rule 1.

(b) terminating his appointment otherwise than on the expiry of the period of his appointment and on his reaching the age of superannuation.

4. No appeal as of right shall lie against an order declining or affecting a transfer or an extension of service.

5. In the case of an appeal against an order imposing any penalty specified in Rule 1 or Rule 2, the appellate authority shall consider—

(a) whether the facts on which the order was based have been established ;

(b) whether the facts established afford sufficient ground for taking action ; and

(c) whether the penalty is excessive, adequate or inadequate and after such consideration shall pass such orders as it thinks proper.

6. The authority from whose order an appeal is preferred under these rules shall give effect to to any order made by the appellate authority.

7. Every Government servant preferring an appeal shall do so separately and in his own name.

8. Every appeal preferred under these rules shall contain all material statements and arguments relied on by the appellant, shall contain no disrespectful or improper language and shall be complete in itself. Every such appeal shall be submitted through the head of the office to which the appellant belongs or belonged and through the authority from whose order the appeal is preferred and shall be accompanied by a copy of the orders appealed against.

9. An appeal may be withheld if—

(1) it is an appeal in the case which no appeal lies under these rules ; or

(2) it does not comply with the provisions of Rule 8 ; or

(3) it is not preferred within one month after the date on which the appellant was informed of the order appealed against, and no reasonable cause is shown for the delay ; or

(4) it is a repetition of a previous appeal and is made to the same appellate authority by which such appeal has been decided, and no new fact or circumstances are adduced which afford grounds for a reconsideration of the case ;

Provided that in every case in which an appeal is withheld, the appellant shall be informed of the fact and the reason for it.

Provided also that an appeal withheld on account only of a failure to comply with the provisions of Rule 8 may be resubmitted at any time within one month of the date on which the appellant has been informed of the withholding of the appeal, and such appeal shall and be withheld if it is resubmitted in a form which complies with these provisions.

10. No appeal shall lie against the withholding of an appeal by a competent authority.

11. Nothing in these rules shall operate to deprive any person of any right of appeal which he would otherwise have had if these rules had not been made in respect of any order passed before they came into force. An appeal pending at the time when or preferred after the rules come into force shall be deemed to be an appeal under these rules, and Rules 5 and 6 shall as if the appeal were one against an order appealable under these rules.

Serial No. 2.—Memorandum from the Secretary to Government, Irrigation Department, to the Appointment Department, No. 199-ER-XVIR-6 of 1933, dated the 3rd July, 1933.

With reference to memo. No. 1772-81-AR., dated the 10th June, 1933, from the Appointment Department, the undersigned is directed to say that the Irrigation Department has no comments to make on the draft rules except to point out that the introduction of a "fine" as a punishment appears to go contrary to the order of the Government of India as contained in Home Department Circular No. 375-84, dated the 26th June, 1900, *vide* Appendix III in Volume II of the Secretariat Instructions, 1914.

Serial No. 3.—Memorandum from the Under-Secretary to Government, Political Department, to the Appointment Department, No. 1580-PR., dated the 4th July, 1933.

Subject.—*Draft Rules framed under Rule 54 of the Civil Services (Classification, Control and Appeal) Rules 1930, to regulate the discipline and appeals of members of the subordinate services under the Control of Government.*

With reference to memo. No. 1772-81-AR., dated the 10th June, 1933, from the Appointment Department, the undersigned is directed to say that the rules in Chapter XXV of the Police Manual to regulate the discipline and appeals of members of the subordinate services of the Police Department have been framed under the Police Act of 1861 (Act V of 1861.) The application of the rules framed under Rule 54 of the Civil Services (Classification, Control and Appeal) Rules 1930, to the subordinate ranks of the police is therefore excluded by Rule 3 (a) of the Civil Services.

(Classification, Control and Appeal) Rules, 1930 and the Political Department suggest that note to this effect may be added to the heading of the rules in question.

Serial No. 4.—Memorandum from the Secretary to Government, Education and Development Department, to the Appointment Department, No. 580-ER., dated the 22nd July, 1933.

The undersigned is directed to refer to memo No. 1772-81-AR., dated the 10th June, 1933, and to say that the Education and Development Department agree with the unanimous opinion expressed by Heads of Departments against the imposition of fines on members of subordinate services.

2. In case, however, it is decided to include "fine" as one of the penalties, Education and Development Department would suggest a maximum limit of one month's pay in respect of fines imposed in any one financial year.

3. Education and Development Department would also suggest the extension of the period for appeal from one month to six months or, at any rate, to three months.

Serial No. 5.—Memorandum from the Officiating Secretary to Government, Finance Department, to the Appointment Department, No. 1661-F.R., dated the 15th July, 1933.

With reference to the memo. from the Appointment Department No. 1772-81-AR., dated the 10th June, 1933, the undersigned is directed to make the following comments on the draft rules appended thereto :—

Rule 1 (v).—There are occasions (especially in the case of menial establishment) in which a fine may be a more suitable penalty than any other, but it seems desirable that formal departmental proceedings should be drawn up as in the case of dismissal, removal or reduction, before a punishment of fine is inflicted. It seems also desirable that a limit of fine should be fixed at a certain percentage of pay. If the punishment of fine is retained, executive instructions would be necessary laying down the conditions that should be satisfied before a fine is inflicted and it should also be laid down that gazetted officers in subordinate services should, under no circumstances, be fined.

Rule 3.—The explanatory memorandum for Rule 54 of the Civil Services (Classification, Control) and Appeal Rules makes it clear that the Local Government can make a rule which would enable it or an authority to which the power is delegated to call for the proceedings in any case even when no appeal lies or no

appeal is preferred and to pass orders as may seem fit. The desirability of framing such a rule may be considered.

Rule 4.—As withholding of promotion is a punishment under Rule 1 (ii), it should be made clear that this rule does not deprive a Government servant of a right of appeal in such cases.

Rule 5.—The reference to Rule 2 is not understood. That rule does not specify any penalty but merely says which authority may impose punishment.

Rule 9.—It should be made clear which authority has power to withhold an appeal. It should presumably be the authority against whose order the appeal is made and not the head of the office.

Rule 9, Clause 3.—The period of appeal as given in Rule 180 (b) of the Board's Rules is 6 months. The same period is prescribed in Classification Rule 64 (3). The period of one month for appeal proposed in this clause is rather too short. Finance Department would suggest that the period be extended to two months. But a rule curtailing the existing period of six months will affect adversely Government servants who were in service on the 27th May 1930. The sanction of the Secretary of State in Council under Classification Rule 9 (1) appears necessary if it is intended to make the rule applicable to those who were in service on the date mentioned.

Rule 10.—As Classification Rule 65 is being adopted, it is fair to adopt also Classification Rule 67 and prescribe that quarterly returns of appeals withheld should be submitted to the authority to which the appeal was addressed.

Serial No. 6.—Memorandum from the Secretary to Government, Public Works Department, to the Appointment Department, No. 2803-VIIR-23 of 1922-ER., dated the 5th August, 1933.

Subject.—*Draft Rules to regulate the discipline and appeals of members of the Subordinate Services.*

With reference to memo. No. 1772-81-AR., dated the 10th June, 1933 from the Appointment Department, the undersigned is directed to say as follows—

Rule 3 (b).—The word “and” seems to be misprint for “or”.

Rule 5.—The words “or rule 2” appear to be redundant as no penalty is specified in Rule 2.

Rule 9 (3).—One month for an original appeal is too short a time. Rule 64 (3) of the Civil Services (Classification, Control

and Appeal) Rules gives six months time for submitting an appeal and one month for resubmitting an appeal withheld under Rule 63.

2. Under the existing orders, fine is imposed on temporary clerks and menials (*vide* paragraph 42 of the Secretariat Instructions) and also on artificers and workmen (*vide* paragraph 46 of the Public Works Department Code). The penalty of fine should not be imposed on Sub-Engineers of the Upper Subordinate Establishment of the Public Works Department although this establishment has been shown under General Subordinate Service in the list of miscellaneous posts forwarded to the Appointment Department with memo. No. 1062-ER, dated the 16th June, 1933, from this Department, as they are gazetted officers.

It is not clear what kind of limitation is proposed to be placed on the power to impose fines. Whether any money limit is intended to be fixed or the nature of offences to which fine should be limited should be defined.

Serial No. 7.—Memorandum by the Deputy-Secretary to Government, Legislative Department, to the Appointment, No. 381-Leg. R., dated the 17th September, 1933.

With reference to memo. No. 1772-81-AR, dated the 10th June, 1933, from the Appointment Department, the Legislative Department have to state as follows:—

1. It is assumed that rules have been issued by the Local Government under Rule 20 of the Classification Rules classifying Government servants into Subordinate Services. If not, such rules should be issued before the draft rules are brought into force.

2. *Rule 1.*—In the opening part of the rule, it will be better to *substitute for the words* "Subordinate Services" the words "a Subordinate Service."

As regards the imposition of a fine, Legislative Department feel some difficulty in suggesting the limitations to which this power be subject, as the rules do not give any indication of the cases in which the various penalties should be imposed. It would be difficult to attempt to specify the cases in which the punishment of fine should be imposed as this would involve as a necessary corollary a specification of the circumstances in which other penalties could be imposed. Members of the Subordinate Services undoubtedly feel that the imposition of the penalty of fine suggests that they are being reduced to the same level as menial servants on whom alone this penalty could hitherto be imposed. The proviso to Rule 1...

considerably lessens the force of this argument in the case of the existing members of the Subordinate Services. It is possible, however, that even future members will consider it somewhat derogatory to be placed on the same level as menials. Legislative Department would, therefore, suggest that executive instructions may be issued defining, even generally, the cases in which fine should be imposed.

As regards the limitations to be imposed on the penalty by fine, Legislative Department consider that some maximum limit should be fixed. It is difficult to suggest any fixed limit, and Legislative Department consider that the maximum should be half a month's or one month's pay.

It should also be specifically provided that a fine if imposed should be recovered in instalments not exceeding one-twelfth of the monthly salary.

3. *Rule 3.*—For the words “an authority which passed” the words “the authority which passed” should be substituted.

4. *Rule 5.*—The reference to Rule 2 in this rule seems to be unnecessary.

5. *Rule 9.*—The period of one month for filing an appeal might, in certain circumstances, be too short. It is suggested that a period of two months should be allowed.

The second proviso to this rule allows period of one month in which to remove any defects contained in an appeal, and if one month is allowed merely for correction of a defective petition of appeal, it seems only fair to allow more than one month for preparing the original appeal.

6. *Rule 10.*—It is necessary to prescribe the authority which can withhold an appeal. (*See Rule 14 of the Government of India Rules.*)

Serial No. 8.—Memorandum from the Secretary to Government, Judicial Department, to the Appointment, No. 2969-E. 71-JR., dated the 27th October 1933.

Subject.—*Draft rules under Rule 54 of the Civil Services (Classification, Control and Appeal) Rules to regulate the discipline and appeals of members of the subordinate services under the control of Government.*

The undersigned is directed to reply to memo. No. 1771-81-AR, dated the 10th June, 1933, from Government in the Appointment Department as follows :—

2. Under Clause 6 of the Letters Patent of the High Court, the Chief Justice is empowered, subject to any rules and restrictions which may be prescribed from time to time by the Governor-

in-Council, to appoint ministerial officers for the court. On general principles the powers to appoint may be taken to include the power to dismiss and to regulate the conditions of employment. In view of the provisions of Section 106 of the Government of India Act, the High Court ministerial officers are within the meaning of Rule 3 (a) of the Civil Services (Classification, Control and Appeal) Rules, persons for whose appointment and conditions of employment special provision is made under a law, consequently the Local Government have no power to make rules under Rule 54 applicable to them.

3. In view of Section 60 (c) of the Prisons Act, 1894, Government have no legal power to make rules under Rule 54 for Jails officers.

4. If the rules are issued without any explanatory note, there is a likelihood of confusion and a possibility of misunderstanding between Government and the High Court. Judicial Department therefore recommend that the rules should show clearly on the face of them that they do not apply to the ministerial officers of the High Court or to jails officers.

5. In respect of the services to which these rules can legally apply, Judicial Department consider the rules generally suitable. They regard it as unfortunate that an appeal should lie against an order inflicting punishments, Nos. (i) and (ii), but in view of Rule 54 this appears to be inevitable.

6. The chief objection to the punishment of fine is that indiscreet subordinate officers sometimes inflict the penalty without adequate consideration of the nature of the fault and the weight of the penalty. Since the rules propose to allow an appeal against every order of fine the objection will vanish and Judicial Department do not think it necessary to prescribe any limitations.

(Note in the Appointment Department).

We might now inform the various departments of the modifications in the draft rules which Government are making in the light of the suggestions made by the Legislative Department, in their memo. No. 381-Leg. R., dated the 17th September, 1933. We are separately taking action for classifying under Rule 20 of the Classification Rules, the Subordinate Services. We might also point out (in view of the Political Department memo. No. 1580-PR., dated the 4th July, 1933 and the Judicial Department memo. No. 2669-E-71-JR., dated the 27th October, 1933) that it will be made clear when the rules in the final form are published that the rules will not apply to persons for whose appointment and conditions of employment special provision is made by or under any law for the time being in force. Will the Under-Secretary please prepare a draft?

**ANSWER TO S.A.S. QUESTION PAPER OF
NOVEMBER 1945**

I. Precis

Subject.—Draft rules to regulate the discipline and appeals of members of Subordinate Services.

The Appointment Department of the Government of X forwarded along with their Memorandum No. 1772-81-A.R., dated the 10th June, 1933, a copy of the draft rules framed under Rule 544 of the Civil Services (Classification, Control and Appeal) Rules to regulate the discipline and appeals of the members of the subordinate services under the control of Government, to the Political, Finance, Education and development, Revenue, Legislative, Judicial and other Departments and invited their opinions and comments on the rules especially those relating to the penalties and the limitations which should be placed on the power of imposing them.

2. The replies received from all the other departments showed that with the exception of the Political and Judicial, all of them generally agreed to the adoption of the rules subject, however, to minor modifications.

3. On the issue of fine as one of the penalties, the Irrigation and Education and Development Departments disapproved of the penalty. The Irrigation Department pointed out that "fine" as a punishment was contrary to the orders of the Government of India as contained in Home Department Circular No. 375-84, dated the 26th June, 1900. The Legislative Department would regard it as derogatory to the dignity of public servants in as much as such penalties would equate them with the menial staff. But they offered the suggestion that executive instructions might be issued defining the cases in which fines should be imposed. The Finance Department echoed more or less the same views and suggested that formal departmental proceedings should be drawn up before the fine was inflicted. The Public Works and Finance Departments were strongly of the opinion that the Gazetted officers including those shown under General Subordinate Service, such as Sub-Engineers in the Public Works Department should not be fined under any circumstances.

4. As regards the limitations to be placed on the power to impose this punishment, various limits were suggested. The Education and Development Department put the limit at one month's pay in any one financial year. The Legislative Department suggested half a month's or one month's pay to be recovered in easy

instalments of one-twelfth on the monthly salary, and the Finance Department **proposed** the fixation at a certain percentage of pay.

5. In regard to other rules, these **minor additions and alterations** were suggested.

Rule 3 : The Finance Department **pointed out** the **desirability** of making a rule which would enable the fine imposing authority **to call** for the proceedings in any case even when no appeal lay or no appeal was preferred and to pass orders as might seem fit. The Public Works Department and the Legislative Departments **proposed** slight amendments in **respect of a word or phrase**.

Rule 4 : As the withholding of promotion was a punishment under Rule 1 (ii), the Finance Department **wished** that it should be made clear that this rule did not deprive a Government servant of the right of appeal in such cases.

Rule 5 : The Finance, Legislative and Public Works Departments **drew attention** to the fact that reference to Rule 2 in this rule was **needless** as that rule did not specify any penalty but simply referred to the authority that might impose punishment.

Rule 9 : The period of one month proposed for filing an appeal in sub-section 3 of this rule was **regarded as** inadequate, and of two months, three months and six months were suggested by different departments. The Finance and Public Works Departments also **pointed out** that the curtailment of six months period already embodied under Rule 64 (3) of the Civil Services Rules would adversely affect Government servants in service on the 27th May, 1930. The sanction of the Secretary of State in Council under Classification Rule 9 (1) would be needed if it was intended to make the rule applicable to them.

Rule 10 : On the point that no appeal should lie against withholding of an appeal by a competent authority, the Legislative Department **desired** that such an authority be specified, and the Finance Department's suggestion was that quarterly returns of appeals withheld should be submitted to the appellate authority.

6. The Political Department **stated** that the subordinates of the Police Department were already governed by the provisions of Chapter XXV of the Police Manual and therefore **suggested** the addition of a note to the heading of the rules. The Judicial department also **raised a point** that the Local Government had no power to frame rules for the ministerial officers of the High Court and Jail officers in view of the orders contained in Clause 6 of the Letters Patent of the High Court and Section 60 (c) of the Prisons Act, 1894 and therefore, considered that the proposed rules did not apply to such officers.

POINTS TO BE NOTED

This is a *Precis* of the "Third kind."

1. The Under-Secretary to Government, Appointment Department, forwards a copy of the draft rules regulating the discipline and appeals of the members of subordinate services to other departments and invite their views on them.

2. The replies received reveal that all departments except the Political and Judicial generally approve of the rules.

3. In the course of the first reading itself candidates are expected to note the views of each department on the question of fine as one of the penalties, the limitations on the power to impose fine, and its comments on other rules. Those views should be carefully summarised.

4. The Judicial department states that Government have no power to frame rules applicable to the Police and Jail Departments or to the ministerial offices. The Political department points out that such rules for the Police Department already exist in Chapter XXV of the Police Manual.

5. The draft rules are meant for a mere perusal, and much time need not be wasted in studying them.

6. Concentrate attention only on the three main points :

- (a) Views regarding the imposition of fine ;
- (b) Limitations on the power of imposing it ;
- (c) Comments on other rules.

II DRAFT

Memorandum from the Under-Secretary to Government, Appointment Department, to the Political, Finance, Education and Development (Education Branch), Education and Development (Development Branch), Revenue, Revenue (Commerce), Legislative, Judicial, Public Works and Irrigation Department.

The undersigned is directed to draw the attention of the aforesaid departments to the draft rules, a copy of which had been forwarded in Memorandum No. 1772-81-A.R. dated the 10th June, 1933, which have been modified on the suggestions offered by the Legislative Department. The modifications proposed are thus set forth :—

1. At the beginning of the rule the words "a subordinate service" shall be substituted for the words "Subordinate services".

Rule 3 : Replace the word "an" by the word "the" in this rule.

Rule 5: Omit the reference to Rule 2 in this Rule as it seems to be unnecessary.

Rule 9: A period of two months shall be allowed instead of one month as referred to in item (3) of this rule for filing an appeal, as one month is considered to be too short a period in certain circumstances.

Rule 10: The competent authority who can withhold an appeal, shall be specified.

Rule 11: The following *shall be inserted* as a note under this rule:—

(a) Executive instructions will be issued specifying the cases in which fines should be imposed.

2. Necessary steps are being separately taken for classifying government servants under subordinate services by issuing rules under Rule 20 of the Classification Rules.

3. When these rules are published in their final form, it will be made clear that they will not apply to persons for whose appointment and conditions of employment special provision is made by or under any law for the time being in force.

Secretary,
Appointment Department,
Government of XXX.

IMPORTANT POINTS

Note.—1.—When one department of Government addresses other departments only the form “**Memorandum**” should be used. The word “**draft**” here should not be construed as a letter.

2. Candidates should remember that this form should be in the third person.

3. The subject-matter of the memo. is to be drawn from the memo of the Legislative Department only.

S. A. E.
November 1946

(Time allowed—3 hours.

Full marks—150)

- (1) Make a precis of the following correspondence
90 marks*
- (2) Prepare the draft mentioned in the note below the
correspondence—60 marks.*

CORRESPONDENCE

Serial No. 1 :

No. F. 2 (76)-F/44, New Delhi, the 24th April, 1945.

From

The Government of India, Finance Department,

To

All Provincial Governments,

Subject.—Decimalization of Coinage.

Sir,

I am directed to say that it has been suggested to the Government of India that the opportunity afforded by the reminting of the coinage which may be rendered necessary after the war should be taken advantage of to decimalize the coinage system of the country. The decimal system of coinage has gradually displaced all other forms in most of the countries in the world, India, Great Britain and certain Empire countries being the chief exceptions; and it is suggested that its advantages, such as simplification of accounting and facility of calculation, are such as to render desirable its adoption in India.

2. The proposal is that, like the Ceylon Rupee, the India rupee should be divided not into 192 pies but into 100 cents. The present rupee, half-rupee and quarter-rupee coins would remain, but the lower denominations would be replaced by coins of the value of 10, 5, 2 and 1 cents. with possibly a $\frac{1}{2}$ cent. coin. While the present series of coins of low denomination were being withdrawn and during the period of transition, the two sets of coin would circulate side by side, prices being expressed either in one or the other or in both.

3. As the process of change must necessarily be difficult, the Government of India do not intend to take any step in this direction unless they are confident of public support and I am to

request you to favour this Government with the views of your Government on the proposal set forth in greater detail in the accompanying memorandum after consulting public opinion in your province.

K. G. A.

Jt. Secretary to the Government of India.

No. F. 2 (87)-F/44

Copy forwarded to the Auditor-General of India with the request that his views may please be communicated to the Finance Department.

By order, etc.

K. N. K.

Under-Secretary to the Government of India.

Memorandum Explanatory of the proposal to induce a decimal system of coinage in India.

1. Opportunity for changing the existing system.

The new series of the two-anna, one-anna, half-anna and pie pieces at present circulating in the country were introduced in 1942 as a war-time measure in order to cope with the greatly increased demand for small coin, the short supply of nickel and tin, and the problem of hoarding. The design of the pie with the central hole has, however, not been a success and the nickel brass alloy used for minting the other coins referred to has proved to be unpopular. Not only does the use of this alloy involve a disproportionate waste of metal in the process of manufacture, but the coins minted therefrom tarnish badly in circulation; moreover due to the universal domestic use of brass throughout India, this alloy is unrivalled for the ease with which it can be used for counterfeiting. The Government of India have, therefore, decided that as soon as conditions permit, the nickel brass should be replaced by the pre-war cupro-nickel alloy and a piece of new design should be used. When, after the end of the war, sufficient supplies of nickel become available, a huge recoinage programme will consequently have necessarily to be undertaken and a unique opportunity will then be presented to undertake any other reform of the subsidiary coinage that might be considered desirable in the public interest.

2. Proposal for decimalization.

It has been suggested to Government that advantage should be taken of this opportunity to introduce a decimal system of

coinage, under which the Indian rupee would be divided not into 192 pies, but into 100 cents. as follows :

1 rupee corresponding to the existing rupee.				
50 cents	„	„	„	$\frac{1}{2}$ rupee.
25 „	„	„	„	$\frac{1}{4}$ rupee.
10 cents				
5 „	Cupro-nickel (" shaped " coins) to replace the existing			
2 „	coins below the value			
1 „	of $\frac{1}{4}$ rupee.			
$\frac{1}{2}$ „	Bronze coins (possible)			

This division has been suggested on the lines of the existing Ceylon coinage, in that the rupee would remain unaltered and the half-rupee and the quarter-rupee would retain their present shape, size, weight and metal content, but would be issued as 50 cent. and 25 cent. coins. The existing 2-anna, 1-anna, half-anna, and pice pieces, would, however, have no counterpart in the new system and their recoinage would not be undertaken.

3. Advantages of the proposed system.

The present coinage system whereunder the rupee is divided into 16 annas and each anna is divided into 12 pies is by no means ideal for purposes of calculation and accounting. The basis for the suggestion now made is that modern trade and commerce demand quick and simple methods of computation and that in this respect there is nothing to compete with the decimal system, as evidenced by the fact that it has gradually displaced all other forms in most countries of the world (India, Great Britain and certain Empire countries being the most important exceptions). To give a few examples, Ceylon, China, Iraq, Palestine, Malaya, the Netherlands, East Indies and Thailand, all now have a decimal coinage and it is arguable that India too should fall into line with the modern practice that has found such general favour.

4. Difficulties in the way of the introduction of decimal coinage.

(a) It is, of course, realised that the introduction of a new system of coinage in India is likely to have adverse reactions in the initial stages. First and foremost, the existing form carries with it the sanction of time and tradition and the change proposed might well be opposed by certain section of the public on grounds of sentiment. It will be apparent, however, that it is not proposed to interfere with the rupee itself, that the $\frac{1}{2}$ and $\frac{1}{4}$ rupee coins, will remain as they are, with only a new nomen-

clature, and that the basis of the coinage system will therefore remain intact.

(b) There will be a period of some years during which both the present and new types of small coins below a quarter rupee in value will be in circulation simultaneously. This is inevitable due to the very large number of such coins that must be minted before the present series could be declared as uncurrent. The table below gives, in respect of the denominations below 4 annas in value, the proposed coinage, the existing coinage and the value in the proposed coinage of the existing coinage.

<i>Existing Coinage.</i>		<i>Proposed Coinage.</i>	<i>Value of existing coinage in proposed coinage.</i>
As. 2	...	10 cents.	12.5 cents.
As. 1	...	5 cents.	6.25 cents.
1 Pice	...	2 cents.	1.5625 cents.
1 Pie	...	1 cent.	.5208 cents.
		$\frac{1}{2}$ cent.	

For such time as the two series circulate side by side it is proposed that printed slips should freely be distributed setting forth the relation between the two varieties.

(c) The adoption of such a system would, of course, have repercussions of the widest character since all rates and prices quoted on the basis of the present system would have to be adopted to the changed conditions, causing considerable initial inconvenience to the public and additional work all round in the matter of fixation of new rates and fresh issues of postage stamps, railway tickets, etc. The adaptation can, however, be effected simultaneously and *pari passu* with the process of introducing the new coinage, and probable confusion in the transition period would to some extent be mitigated by a wide distribution of the slips of paper mentioned above setting forth the arithmetical relation between the two types of coinage.

5. Conclusion :

The initial difficulties involved, however, are inherent in any radical change in the coinage and must be faced if India desires to have the advantages of a simplified and rational system of coinage. That it is possible to overcome the difficulties inherent in a change over from one system of coinage to another even in countries where the level of education is low and population generally backward is evidenced from the dates that Russia (1,839 and 1,879) and Japan (1,871) went over to the new system, no less than by the fact that most countries have adopted the

modern forms. A similar opportunity for modernisation of the coinage of India is not likely to recur and there can be no better time to effect this alteration than in the early post-war period. But the Government of India would not desire to embark on a scheme of this nature in anticipation of public approval and support, and therefore invite sections of the public to express themselves on the proposal. The necessity for deciding the issue now is, however, urgent since the mints must be given adequate time to make all preparations for implementing the decision as soon as possible after the end of the war,

Serial No. 2 :

No. 366-Admn./III-45, dated the 22nd May 1945.

Office of the Auditor-General of India, Simla.

A copy of the undermentioned paper is forwarded to all Accountants-General and Comptrollers, the Director of Railway Audit and the Chief Controller of Supply Accounts with the request that they should please examine the scheme in its different aspects particularly from the point of view of accounting and communicate their views to the Auditor-General at an early date to enable him to formulate his own views in the matter.

R. R.

Assistant Auditor-General.

Government of India Finance Department letter No. F. 2 (76-F./44, dated the 24-4-1945 regarding the decimalization of the coinage under which Indian rupee should be divided into 100 cents. and not 192 pies.

Serial No. 3:

No. T.M. 37-272-773, dated the 8th June 1945.

From

The Accountant-General, Bihar.

To

The Auditor-General of India, Simla.

Subject.—Decimalization of the coinage.

Sir,

With reference to your memo. No. 366-Adm/III-45, dated the 22nd May 1945 on the subject noted above, I have the honour to observe as follows :—

(1) The proposed system will undoubtedly provide greater facilities for purposes of calculation and accounting.

(2) In the initial stage when both the present and new types of small coins below a quarter-rupee in value will simultaneously

be in circulation, difficulties will be experienced in accounting particularly by those responsible for the maintenance of initial accounts. But these can be circumvented by a wide distribution of slips of paper referred to in para. 4 (c) of the Memorandum forwarded with the Government of India, Finance Department letter No. F. 2 (76-F./44, dated the 24th April 1945.)

(3) The scheme may be given effect to from the beginning of any financial year.

(4) Acts, rules, etc., in which sums including annas, pies are mentioned will require amendment.

(5) It may be considered whether it will be necessary to coin half cent. whose value is less than a pie.

V. B. A.

Accountant-General.

Serial No. 4 :

No. Comp.-6 (4)-66, dated the 12th June 1945.

Office of the Chief Controller of Supply Accounts, New Delhi.

From

The Chief Controller of Supply Accounts.

To

The Auditor-General of India, Simla.

Subject.—Proposal to introduce decimal system of coinage in India.

Sir,

I have the honour to invite a reference to Auditor-General's Memo. No. 366-Admn. III-45, dated the 22nd May 1945 and to indicate below how the decimal system of coinage will affect the Supply Accounts offices.

I.—Expenditure:

The items of expenditure in Supply Account offices consist mainly of (a) payment of contractors bills (b) Payment of pay, allowances and other charges of the Supply Department. In the case of (a) above, payments are made in whole rupees, fractions of a rupee below annas eight being neglected and those of annas eight and above being taken as a whole rupee. There will thus be no difficulty with the new coinage. The rates in the current contracts expressed in annas and pies will continue to be in force for some time, after the introduction of the new coinage till the contracts expire or they are renewed. There will, however, be no difficulty in making payments during the transition period since

these will be in whole rupees. As regards (b), payments are made either to the nearest anna or the nearest pie—*vide* Rule 789 of the Central Treasury Rules. With the introduction of cents, the payments will be made to the nearest cents, according to the order which may be issued in this connection and no difficulty is anticipated in these cases also.

II.—Receipts :

The receipts of the Supply Department take the form of (a) book adjustment of charges levied by the Department for its services and (b) Cash receipts collected at treasuries. In regard to (a) the charges are recovered at a percentage rate fixed for the purpose and the decimals of a rupee are converted to annas. With the introduction of cents, the calculation will be simpler, since the process of conversion of decimals of a rupee into annas will be eliminated. As regards (b) the credits appear in Exchange accounts. There will be cases in which the amounts collected at treasuries in annas and pies prior to introduction of the new system of coinage will be credited to the Supply Accounts officers after its introduction. In such cases either the Account officer passing on the credit or the Supply Account officer will have to convert annas and pies into cents.

III.—Debt, Deposit and Remittance heads:

After the introduction of the new system of coinage balances under the Debt Heads expressed in annas and pies will require conversion before they are brought over to the subsequent accounts.

IV.—Compilation of accounts :

The compilation of accounts in Supply Accounts offices is done as follows :

(a) Classified abstract of contractors bills by Accounting Machines (b) other classified Abstracts, D. B. and consolidated Abstracts—manually. Regarding (a), the mechanical device is that simultaneously with the posting of each voucher the totalizer fitted to the machine records the total and after all the vouchers have been posted the machine on pressing a key, posts the total of all vouchers. The totalizers express the figures in rupees, annas and pies. On the introduction of the new coinage the totalizers will require replacement by new ones expressing the figures in rupees and cents. If this is not possible or it takes time, very great inconvenience will be experienced. As regards (b) there will be some savings since the adding up of the money columns in rupees and cents will be easier than the ones having rupees, annas and pies.

V.—Cheque writing and calculating machines:

Cheques in Supply Accounts Offices are drawn up by machines. The drawing of cheques and posting of the Register of payments are done in one operation. The totalizer fitted to the machines records the total of all cheques drawn in that register on pressing a key. For the reason stated the totalizers have to be replaced. There are also calculating machines which express the result of calculation in rupees, anna and pies. These will have to be replaced by machines recording the result by rupees and cents. The replacements of totalizers and machines will have to be arranged for simultaneously with the introduction of the new scheme.

K. K. S.,
C. C. S. A.

Serial No. 5 :

No. BK/664, dated 20th June, 1945.

From

The Accountant-General, Central Provinces and Berar.

To

The Auditor-General of India, Simla.

Subject.—Decimalization of the Coinage.

Sir,

I have the honour to invite a reference to your endorsement No. 366-Admn. 111-55, dated 22-5-45 forwarding a copy of the Government of India Finance Department letter No. F-2 (76)-F/44, dated the 24-4-55 on the subject cited above and to state as follows :—

2. It is presumed that with effect from the date of introduction of the new coins almost all Government accounts will be kept in those denominations. It will be convenient if the change over is given effect to from the beginning of a financial year.

3. So far as treasuries and sub-treasuries are concerned, arrangements will have to be made to supply them on the 1st April of the year of introduction new coins in exchange for old coins included in the treasury and sub-treasury cash balance on the previous date. To attain this object, it will be necessary to keep requisite stocks of new coins in small coin depots (which are the property of the Reserve Bank of India) or in separate "Exchange depots or counters" to be opened in each treasury, sub-treasury, or post office. If this is done treasuries and sub-treasuries will, as explained below (*vide* paragraphs 6 and 7) conduct transactions in the new coins only after the date of introduction of these coins and maintain accounts accordingly (the services

of stamp vendors may perhaps be utilised in addition to facilitate exchanges).

4. In the accounts of small coins submitted to Accounts Offices, however, both new and old coins will appear so long as the latter are not ultimately sent to the mint. The value of old coins will be converted into new coins and entered under the new denomination in the accounts maintained in Accounts Offices.

5. Opening balances under the several Debt and Remittance heads which are closed to balance will have to be converted into new denominations before entering them in the ledger.

6. Drawing and disbursing officers of Government may transact their business in new coins, amounts fixed in annas and pies being converted into cents.

7. As regards payments of dues into Government treasury or sub-treasury depositors may perhaps be instructed first to exchange their old coins for new coins at "Exchange depots or counters" and pay the amount in new coins only. The public may not find the exchange irksome as the exchange depots or counters will be located in treasuries, sub-treasuries, and post offices where there are also stamp vendors. In chalans, the amount shall be expressed in new coins and also in old coins if so required by Provincial Governments concerned.

8. As it will be inconvenient to maintain accounts of the amounts in new coins in pay, pension and contingent bills, and claims by Government are converted to more than two places of decimals of a rupee, it is suggested that the amounts in new coins may be expressed to the nearest whole cent. Similar conversion may also be effected in the case of transactions referred to in paras. 4 to 7 above.

9. A period may be fixed (say two or three years) after which annas 2, anna 1, 1 pice and 1 pie will be received at 12, 6 1/5 and 5 cents respectively. If these rates are adopted conversion work will be much simplified and withdrawal of old coins accelerated.

10. There will be no difficulty in using the existing forms of accounts, as columns intended for annas and pies can easily be utilised for noting cents expressed as decimals of a rupee.

T.R.S.,
A.G., C.P. & B.

Serial No. 6 :

No. C-15-15-A.G. (CD) 50, dated 25th June 1945.

From

The A.G.C.R., Delhi.

To

The Auditor-General of India, Simla.

Subject.—Decimalization of the Coinage.

Sir,

With reference to your endorsement No. 366 Admn./111-45, dated the 22nd May 1945 on a copy of the Government of India Finance Department letter No. F2 (76)-F/44, dated the 24-4-45, on the above subject, inviting my views on the proposed changes I have the honour to state that the introduction of the decimal system of coinage will undoubtedly be a big step forward towards quick and simple methods of computation and accounting, but full advantage of the system can be secured, only if the decimal system introduced simultaneously in weights and measures as well as lengths and volume.

2. The decimalization of the coinage will entail a radical change in the existing methods of calculation and therefore, present the following difficulties in the initial stages.—

(i) It will require a revision of all rates and formulae for calculations based on the existing system of coinage and a recasting of tables and ready reckoners, for example, the tables etc. now in use for calculating income-tax, interest exchange, etc.

(ii) It will require a wholesale revision of all forms used in the Accounts Offices, treasuries and sub-treasuries showing money columns in Rs. a. p.

(iii) It will involve changes in the resource and coinage operations of the Government in India.

(iv) During the transitional period when both the types of coins will be current, the accounts will have to be maintained either in Rs. a. p. or Rs. and Cents. In either case, the transactions in one kind of coins will have to be converted into the other kind and as such transactions are likely to be numerous for sometime in the beginning, they will necessarily involve additional labour in treasury and accounts offices, until the new coins entirely replace the old coins, some years hence.

(v) As the conversion of existing coinage into cents. will naturally involve decimal figures even upto four places, it is desirable that they should be rounded off to the nearest half cent or

one cent, as may be considered suitable, in order to facilitate accounting and cash transactions.

A. V., A. G. C. R.

Serial No. 7 :

No. T.M./371, dated 2nd July, 1945.

From

The Comptroller, Assam.

To

The Auditor-General of India, Simla.

Subject.—Decimalization of the Coinage.

Sir,

Kindly refer to your endorsement No. 396-Admn./111-45 on the subject mentioned above. It appears that the necessity for any change in the existing system of currency has not been established. If, however, the decimalization of the coinage is decided upon, no insurmountable difficulties in the maintenance of accounts is foreseen.

P. C. D.

Comptroller, Assam.

Serial No. 8 :

No. T. M./2-1/1513, dated 3rd August, 1945.

From

The Accountant-General, Punjab.

To

The Auditor-General of India, Simla.

Subject.—Decimalization of Coinage.

Sir,

With reference to your endorsement No. 366-Admn./111-45, dated 22-5-45, to the address of all the Accountants-General, etc. inviting their views on the scheme of decimalization of the coinage in its different aspects, particularly from the point of view of accounting, I have the honour to give below my views on the subject.

2. The proposed system has the obvious advantage of simplification of accounting and facility of calculations. The various processes of addition, subtraction, multiplication, and division, working out of percentage, etc., will be appreciably simplified as the new system provides quicker and simpler method of computation.

3. The main argument in favour of the continuation of the present system is that the division of the present rupees into 16 annas corresponding to the division of the seer into 16 chhataks enables prices to be worked out more quickly than would be the case under the new system. This advantage can, however, be retained by dividing the seer into 100 tolas instead of 80 tolas as at present.

4. Although the new system will simplify accounts, it will entail additional work in the initial stages of its introduction, especially in the offices where initial accounts are kept. The balances with the various disbursing officers at the time of the introduction of the new system will have to be converted into the new coinage. The outstanding balances under the various Debt, Deposit, and Remittance heads both in the Accounts Offices and in the offices keeping initial accounts will have similarly to be converted.

5. In order to minimise this additional work, it is understood that the new coins will be brought into use with effect from the beginning of a financial year and that on the introduction of the new coins all claims on Government will be due, preferred, and paid in terms of the new coins. Similarly, payments to Government will become due only in cents though treasuries and other Government offices will continue to receive them both in old and new coins till the former are declared to be no longer legal tender. It is contemplated in para 4 (b) of the Explanatory Memorandum on the scheme that both the present and the new type of small coins below a quarter-rupee in value will be in circulation simultaneously for a period of some years. This will prolong the difficulties involved in the conversion of coins from one system to another. It would be distinctly advantageous to the public as well as to the accounting authorities to reduce this transitional period to the minimum, say, 6 months. This can be achieved by introducing the scheme only when a sufficient quantity of the new coins has been minted and supplied to the treasuries and sub-treasuries, and also by restricting the exchange of the old coins with the new ones to a limited period. At the same time the public should be encouraged to change old coins for new ones and if necessary, some pressure may, as well be brought upon the public in this matter. It is also understood that like pies in the present system, half cent will be eliminated from public accounts. It will not perhaps be worthwhile to introduce half cent at all as it will hardly have any currency in the market.

6. A pie, under the new system being equivalent to .52083 cents, the process of conversion in case of certain balances, containing odd pies will involve calculations upto five decimal places and till such time as the present coinage is completely withdrawn,

the Government accounts will have to be kept upto five places of decimal—a complicated factor likely to result in errors of accounting. This can, however, be minimised for the treasuries and avoided in audit offices if the Government decide to keep accounts in whole cents only under all heads of accounts and fractions of less than 1 cent are rounded off to the nearest figure.

7. In treasuries a good deal of difficulty will be experienced during the transition period, as they will have to deal with both kinds of coinage and in respect of receipts will have to keep accounts in terms of old and the new coins. Some difficulty will also have to be faced in converting payments due to Government in cents but which are actually made by the persons concerned in annas and pies. For such cases orders may be passed to round off the amounts in old coins—say to an anna in the present coinage. The dues of the Government will thus be rounded to complete cents and, if paid in old coins, to the nearest anna in the old coins. Small differences between the daily book balances and actual cash balances in hand will also arise in certain cases on account of conversion of annas and pies into cents and receipt of Government dues in old coins. The treasuries will have to keep their initial books in cents but the amount when tendered in old coins will have to be noted in these coins too, side by side. The difference brought about in the totals in cents and that actually in hand will have to be taken to some new minor head “Loss or Gain” due to conversion.

8. Under certain debt heads, *e.g.*, Revenue deposits, the number of unpaid deposit balances at each treasury would be large and the conversion of individual balances to the new coins would be too tedious. The Government might perhaps issue orders to convert only the total balances in such cases, the payments against individual deposits being made in round cents, leaving small differences representing fractions of cents to be adjusted after the present coins are completely withdrawn from circulation.

9. The difficulty regarding the adjustment and the conversion from the old to the new coins are not quite insurmountable. From the accounting point of view, there can be no objection to the system of coinage being changed. It will bring India into line with most of the countries in the world.

P. D. P.,
A.G., Punjab.

Serial No. 9 :

No. BB-719-AA-32-45, dated 14th September 1945.

From

The Accountant-General, Posts and Telegraphs.

To

The Auditor-General of India, Simla.

Subject.—Decimalization of the Coinage.

Reference.—Your memo. No. 366-Admn./111-45, dated the 28th May 1945.

Initially the introduction of the decimal system will, as anticipated by Government, be met with difficulties and heavy expenditure as explained in para. 4 below will have to be incurred. Once the change over is complete and the circulation of pice and pie-coins is withdrawn no difficulty in accounting ought to be experienced.

2. The following remarks on the proposal are offered : the change should be introduced from the beginning of a financial year which should be fixed 2 or 3 years ahead and during the years of transition, if any, when the two types of coins may remain in circulation, the accounts should be rendered in decimal, the conversion being made at the office, making the cash transactions. There may be a loss or gain due to this conversion as well as that mentioned in para 4 below and it seems that a new head corresponding to loss or gain by exchange may be required to be opened in the accounts for recording the effects of the conversions.

3. There is no doubt that the decimal system once introduced would lead to appreciable simplification of accounting work all over the country provided the existing weights and measures with which the rupee and its fractions are intimately connected are also decimalised.

4. (i) Rates and tables fixed in annas and pies such as those of postage, life insurance premium, pie money and similar allowances will have to be refixed in cents and stocks of Postal orders, Postal Stationery and Post Office Certificates etc., should be scrapped and new ones with values in rupees and cents should be introduced. This will cause considerable expenditure.

(ii) As premia for life insurance are fixed in annas and pies and contracts on this basis have been entered into with policy-holders for the payment of the premia in annas monthly, legal advice has to be obtained if the existing contracts with the life-insurance policy-holders should be replaced by new contracts.

with rupees and cents or the existing rates of premium may be realised in new currency after conversion. The same question will arise regarding the payment of bonus on Post Office Certificates also.

(iii) The accounting machines used in this office and in the Branch Audit Offices will require change as the totalisers are designed to indicate annas and pies and the cost involved is estimated to be about $1\frac{1}{2}$ lakhs. The company will have to be apprised of the change sufficiently early so as to enable them to supply the new totalisers just before the change over takes place.

(iv) The balance of Savings Bank, Defence Savings Bank and other debt heads which are carried over from year to year will have to be converted into the new currency. This will involve huge additional and extra staff.

5. It seems to me that before the introduction of the decimal system pies should be completely abolished from the Government account. The pie is rarely used in India except for paying Government revenues and a rise in the standard of living within the last 40 years has made the pie a relic of old times. Again the introduction of $\frac{1}{2}$ cent pies will complicate matters and lengthen the decimal points in accounts and thus render nugatory the advantages derived from the abolition of the existing system. Like the pie it would be too small a coinage to be of any use in the rural economy of India of the present age and should not, in my humble opinion, be introduced at all.

H. B.,
A. G. P. T.

Serial No. 10 :

Dy. No. 1173, Admn. dated 10th September 1945.

From

The Director of Railway Audit.

To

The Auditor-General of India, Simla.

Subject :—Decimalization of the Coinage.

Sir,

I have the honour to forward herewith a copy of the Railway Board's letter No. F-11145/CN/(1), dated 18-8-45 to the Government of India, Finance Department, for information. As the Railway Board do not anticipate any difficulty in the decimalization of the coinage, I have no remarks to offer.

G. H. A. W.
Director of Railway Audit.

Copy of the Railway Board's letter No. F. 111-45/CN/(1) dated 18-8-45 to the Government of India, Finance Department.

Subject.—Decimalization of the Coinage.

*Reference:—*Finance Department letter No. F. 2 (76) F/44, dated 24th April, 1945.

The Railway Department (Railway Board) favour the proposal for the decimalization of the coinage. The opinions of the various Railway Administrations were invited and they generally favour the scheme in spite of the difficulties of the transition period.

Serial No. 11 :

T. M. 7-3/45/46/633, dated the 20th July, 1945.

From

The Accountant-General, Madras.

To

The Auditor-General of India, Simla.

Subject.—Decimalization of the Coinage.

Sir,

With reference to your endorsement No. 366 Admn. 1-1-45 dated the 22nd May, 1945 forwarding a copy of the Finance Department letter No. F. 2 (76)-F-44, dated 24-4-45 on the subject noted above, I have the honour to furnish the following report :—

2. The introduction of the new system of coinage will necessitate a revision of the forms of accounts kept in the accounts offices and treasuries and will result in the simplification of the detailed accounts in the Government as well as private offices. It will also involve changes in the structure of accounting machines such as comptometers, etc. The compilation of the monthly civil accounts, Finance and Revenue Accounts, Budget, Finance and Appropriation Accounts will not, however, be affected in anyway as the figures in these compilations are shown only in rupees. If, as I presume, the new system is introduced at the beginning of a financial year, the balances under the various Debt, Deposit and Remittance Heads at the close of the previous year will have to be carried forward after conversion into the new currency. As these balances have to be taken to the nearest cent, assuming that half cents will not appear in Government accounts, it may be necessary to obtain the acceptance of these balances in the new system before carrying them over to the new year. From an accounting point of view, therefore, I may state that I do not anticipate any difficulty in effecting the necessary changes on the introduction of the new scheme.

3. In paragraph 4 (b) of the explanatory memorandum, it is stated that there will be a period of some years during which both the present and the proposed types of small coins below a quarter rupee in value, will be in circulation simultaneously. This means that during the transition period Government dues will be received at treasuries and other offices in the existing coinage and Government payments will also be similarly made, wherever there is a shortage of the new coins. Great difficulty is, therefore, likely to be experienced at treasuries, post offices and other Government offices as well as in private dealings, on account of the calculations to be made from conversions from the old to the new coins and *vice-versa*. It would be preferable to avoid the use of the printed slips altogether and ensure ease and despatch in exchanging one series of coins for the other. In the following paragraphs I am indicating a method to give effect to this and I have tried to meet possible objections to the method. This method with suitable variations may solve the main difficulty of the change over under present conditions. If my suggestion merits the approval of the Auditor-General, it may perhaps be passed on to the Government of India.

4. It appears to me that if the existing pie and half-pice pieces are declared uncurrent from the date of introduction of the new scheme, and that if the value of the pice is also fixed arbitrarily at 1.25 cents from that date, the public will, in the interval, return to Government not only the pie and the half pice pieces but also the pice coins in view of their reduction in value in relation to the Rupee. This will place in the hands of Government enough metal for minting the large number of new two cents and one cent which may be required for launching the scheme on the specified date. A sufficiently large number of new coins at the treasuries will ensure the payment of almost all Government dues in the new currency. A definite percentage of the pice pieces returned can be retained for purposes of conversion. The depreciation effected in the value of the pice will facilitate the ready conversion of the existing nickel brass coins into the new decimal coinage and enable Government to give then at a later stage along with new nickel 10 cent. and 5 cent-pieces for redeeming the existing two-anna and one anna pieces.

5. If the value of the small coins returned from circulation in any year exceeds the value of small coins issued in that year, it will in any case result in a loss to the State. Declaration of half pice and pie pieces as uncurrent and depreciation of pice suggested by me to procure sufficient metal resources will no doubt augment the loss. Whatever the extent of this loss may be, it can be made good from the profits of future years if not from the profits from circulation of nickel bronze, and copper coins held in suspense to the extent of over 5 crores. I may add that in

addition to this amount, a sum of 45 lakhs was credited on this account in each of the last four years to the receipts of the Mint.

6. I do not know whether it is at present more difficult to procure copper and tin than nickel, as all the three metals are required in varying degrees for war needs. But I have proceeded on the assumption that even if the nickel brass coins can be called in first by similarly lowering their value from the date specified for the inauguration of the new system of coinage, it will be difficult to retire the nickel content from these coins. If, however, adequate supplies of nickel resources can be procured, the redemption of nickel brass coins need not be put off as envisaged by me and new nickel 10 and 5 cent pieces can be minted and kept ready. In that event, the nickel brass coins may also be made uncurren on the specified date and each 2 anna nickel brass coin be redeemed by the issue in exchange of the new nickel 10 cent piece and 2 pice coins and each 1 anna nickel-brass coin can be redeemed by the issue in exchange of the new nickel 5 cent piece and 1 pice coin.

P. N. R.,
A. G., Madras.

Serial No. 12 :

No. T. M1/202, dated 27th June, 1945.

From

The Accountant-General, Bengal.

To

The Auditor-General of India, Simla.

Subject.—Decimalization of the Coinage.

Sir,

I have the honour to invite a reference to your endorsement No. 366-Admn /111-45, dated the 22nd May, 1945, on the above subject. The benefits of the decimal system are easy of computation and accounting, and the consequent speed they impart to financial and commercial transactions is desirable. For example, if the system be introduced, it would be comparatively easier to calculate income-tax, as the rates would then be percentages, and as for accounting much time and labour will be saved.

It is hoped that the introduction of the decimal system will lead to the invention of simpler calculating machines which might be used with advantage and perhaps more extensively in Audit offices.

2. The difficulties in the introduction of the system has been mentioned in para. 4 of the Finance Department's "Explanatory Memorandum." To the wide repercussions on all rates and prices and the initial difficulties of Governments and the public in the matter of fixation of new rates and fresh issues of postage stamps, railway tickets, etc., I may add those involved in

the recalculation of land revenue and of rents of permanently settled lands. It may not be possible to express annas and pies exactly in cents, and figures may go to four places of decimals as, for instance, 1 pie = 0.5208 cents. But all the innovations have been attended with difficulties and these should not stand in the way of the introduction of an admittedly better system. The confusion in the initial stages will be mitigated to a certain extent by the proposed distribution of slips showing the arithmetical relationship between the two systems. I would suggest that the figures in terms of the proposed coinage be carried only to two places of decimals in these slips and all recalculations be also shown only to the second decimal place. I would also suggest the fixation of a definite period, say five years, during which the two systems of coins should exist side by side.

3. I may add that I doubt the utility of a $\frac{1}{2}$ cent. piece. A cent would be worth less than a pice, and a half cent less than $\frac{1}{3}$ rd of a pice. Prices are not such as to make me believe that such a small unit will be necessary in future. For the same reason I do not see much necessity for the 2 cent piece which will be worth $\frac{1}{50}$ th of a rupee, that is, a little more than a pice. Strictly speaking, a 20-cent piece would be more in accord with the decimal system than a 25 cent piece, but I think that in this matter purism should give way to practical expediency. It is expected that the 25 and 50 cent pieces will be legal tender up to an unlimited amount.

P. C. C.,
A. G., Bengal

Serial No. 13 :

No. Book/246, dated 7th July, 1945.

From

The Accountant-General, U. P.

To

The Auditor-General of India, Simla.

Sir,

With reference to your memorandum No. 366-T Admn./111-45, dated 22-5-45 forwarding a copy of the Government of India Finance Department letter No. F2 (76)-F/44, dated 24-4-45, I have the honour to offer the following views for the consideration of the Auditor-General.

1. There is hardly any reform, legislative, economic or financial, which will not be opposed by some sections of the public but such opposition in the present case may be ignored.

2. The present series of small coins, of which a very large amount will be in circulation on the date on which the new series come, will not be treated as uncurrent till it is entirely or almost withdrawn from circulation and is declared as uncurrent on a certain date. Till then, although the payments on Government account will be made in the new series, the old series will continue to be tendered in the various treasuries, sub-treasuries and branches of the Bank in payment of Government dues. These coins will have not apparently been meant for reissue and will therefore have to be kept apart at sub-treasuries, treasuries and Banks, from the new series. Their value converted in terms of the new coinage will be taken for purpose of accounts. It is, therefore, suggested for consideration that the existing series of coins may be collected into a pool of uncurrent coins and charged off to a suitable head so as to exhibit the transactions correctly subordinate to the Major Head 'Coinage Account, under "P—Deposits and Advances" until they are remitted into Mint. There has apparently been no difficulty in introducing the decimal system of coinage in Ceylon and so it is considered, that the introduction of the proposed coinage in India may prove equally successful in the long run. The wide and free distribution of printed slips showing the relation between the two varieties of coinage, will go a long way in meeting the demands of the public.

It will also not be a very difficult matter to convert the Government dues which are at present fixed in the existing coinage in terms of the proposed coinage, and rounding them off to the nearest cent.

I. D.,
A. G. U. P.

Extract from Notes

Put up a draft to the Government of India, Finance Department, stating that the Audit Department is in favour of the proposal.

However, difficulties will be experienced in the period of transition when both the types of coins would remain in circulation and extra expenditure will be necessary to meet these difficulties.

Mention in the draft the main difficulties brought out in the letters of the Accountants-General and the suggestions made to meet some of them. The suggestions made by Accountant-General, Madras, in paras 4, 5 and 6 of his letter should not be incorporated in the draft at present. Also similar suggestion by Accountant-General, Central Provinces and Berar.

Say that a detailed examination of the difficulties and suggestions will be necessary at a later stage. They are at present being brought to the notice of the Finance Department for the preliminary examination of the proposal.

**Answer to Question Paper of
November 1946**

1. PRECIS

In view of a prospective post-war recoinage programme being worked out, the Government of India desired to take advantage of the unique opportunity for undertaking a reform of the subsidiary coinage in the public interest and contemplated the adoption of the decimal system of coinage which obviously, had the advantage of simplification of accounting and facility of calculations and which had proved useful in many countries of the world. Under the decimal system of coinage, the Indian rupee would be divided into 100 cents. The circulating rupee, half-rupee and quarter-rupee would retain the same shape, size, weight and metal content, but would be issued as 100 cents, 50 cents and 25 cents coins respectively. But the coins of lower denominations would be replaced by coins of the value of 10, 5, 2 and 1 cents respectively with possibly the addition to the series of half a cent coin. During the transition period both the present and new types of small coins would circulate side by side, the commodity prices being expressed in one or the other or in both.

2. The new decimal system would be particularly suited to meet the demands of modern trade and commerce for quick and simple methods of computation. As the proposed change involved difficulties such as conservative opposition to any change complexity of both sets of coins circulating simultaneously during the transition period and an all-round re-fixation of prices and values, the Government of India in their letter No. F. 2 (76)-F/44 dated the 24th April, 1945, accompanied by a copy of the "Explanatory Memorandum", invited the opinions of all Provincial Governments and the Auditor-General of India on the proposed change. The Auditor-General of India in forwarding a copy of the "Explanatory Memorandum" to Accountants-General, Comptrollers, the Director of Railway Audit and the Chief Controller of Supply Accounts, asked them to examine the scheme in its different aspects, most particularly from the point of view of accounting.

3. From the replies received it was obvious that all the departmental heads agreed to the proposal with the single exception of the Comptroller of Assam, who saw no necessity for any change in the existing system of currency. They quite well foresaw the decimal system as conducive to simplification of accounting and facility of calculations especially in the time-rationed financial and commercial spheres of life. The Accountant-General of Bengal anticipated the invention of simpler calculating

machines for use in Audit offices. **With a view to extract the maximum benefit from the system, the Accountants-General, Central Revenues, Punjab and Posts and Telegraphs recommended the simultaneous introduction of the decimal system in weights and measures as well as lengths and volume with which the rupee and its fraction were closely linked.**

4. All the departmental heads **observed with almost a choric oneness that the change-over to the new system would present no insuperable difficulties.** But most of them suggested the introduction of the new system from the beginning of the financial year when all claims against Government would be due, preferred, and paid in terms of the new coins. Similarly, payments to Government would become due only in terms of new values through treasuries and other Government offices might continue to receive both sets of coins till the old ones were declared to be no longer legal tender. The Accountant-General, Central Provinces, desired that the people should be instructed to exchange their old coins with the new at the Exchange Depots or Counters at the Treasury, Sub-treasury or Post Office and pay the Government dues in the new coins. But the Accountant-General, Punjab, however, favoured the transactions both in old and new coins till the former were declared to be no longer legal tender.

5. The Explanatory Memorandum stated that the probable confusion in the transition period arising out of the conversion from the old to the new coins, could be mitigated by a wide distribution of slips of paper setting forth the arithmetical relation between the two types of coinage. The Accountant-General, Madras, however, suggested that the slip system could be avoided by declaring the existing pie and half-pice pieces uncurrent from the date of introduction of the new scheme and that if the value of the pice was also fixed arbitrarily at 1.25 cents from that date, the public would be compelled to return the old coins and consequently the Government have enough metal for minting purposes. Similarly two annas and one anna pieces could be redeemed. As the Accountant-General of the Central Provinces remarked, the conversion work would be simplified and the withdrawal of old coins accelerated by fixing the exchange rate at 12, 6, 1.5 and .5 cents for 2 anna, 1 anna, 1 pice and 1 pie pieces respectively after a period of two or three years.

6. It was held that the pie, rarely used in India after the inflation, should be abolished from the Government account before the new system was introduced. As regards the need of coins of varied denominations under the new system, the half cent was unanimously considered as of no practical utility. The Accountant-General, Posts and Telegraphs, remarked that the introduction of such small coins would complicate matters and

lengthen the decimal points in accounts and thus neutralise the advantages looked for, in ringing out the old system. The Accountant-General, Bengal, would go to the length of saying that the two-cent piece being a little more than a pice, was unnecessary and that a twenty-cent piece was more congruous with the decimal system than a twenty-five cent piece.

7. The adoption of the new system would have widest repercussions since all rates and prices quoted on the basis of the old system would have to be adapted to the changed conditions. In this connection, the Accountant-General, Central Provinces and Berar, remarked that the existing forms could be adopted by using the columns meant for annas and pies for noting cents expressed as decimals of a rupee. The Accountant-General, Central Revenues and Posts and Telegraphs suggested that all rates' formulae for calculations based on the existing system required revision and recasting of tables. Probably legal advice might also be necessary to decide whether the existing contracts with the Life Insurance Policy Holders should be replaced by new contracts in terms of rupees and cents or the existing rates of premium be realised in the new currency after conversion. The payment of bonus on Post Office Certificates would have similar implications.

8. In the era of mechanisation of work and interlinked processes, a change somewhere brought about changes elsewhere. The new system of coinage as some Heads of departments pointed out, involved structural changes in the accounting machines and totalisers. The estimated cost of the requisite change in the case of Posts and Telegraphs Audit Offices alone would be about one and half lakhs. Besides this, there were other difficulties such as changes in Acts, rules, postage stamps, railway tickets and land revenue of permanently settled lands. As regards the difficulty of possible confusion between the two systems of coins during the transition period, the Accountant-General, Punjab, in the interest of both the public and the accounting authorities suggested the reduction of that period from five or two years as was suggested by some, to a minimum of six months with a view to escape protraction of difficulties.

9. Coming to the question of accounting difficulties in the initial stages, the Accountant-General, Posts and Telegraphs and Central Revenues, pointed out the necessity of maintaining accounts in both sets of coins during the transition period. This would mean extra labour and great expenditure in treasuries and accounts offices owing to conversion from one to the other series of coins. The balances under various heads and departments would have to be converted and carried forward. The Accountant-General Madras, observed that as the balances had to be rounded to the nearest cent, it might be necessary to obtain acceptances of these

balances in the new system before carrying them over. It was also observed that there might be gain or loss due to conversion and rounding off, and that a new corresponding head of loss or gain by exchange might be required to be opened in the accounts.

10. In regard to the existing series of coins the Accountant-General, United Provinces, suggested for consideration that after they were tendered at the treasuries and banks, they might be called into a pool of uncurrent coins and charged off to a suitable head, so as to exhibit the transactions correctly, subordinate to the Major Head "Coinage Account," until they were remitted into Mint.

Note :—The length of the correspondence may at first sight dishearten the candidates, but when they get a good grasp of the main points, they will find the presentation of the points to be an easy affair. The subject-matter here involves a critical analysis and the candidates exercising that faculty, are sure to produce a coherent whole.

POINTS TO BE NOTED

1. The gist of the whole correspondence is that the Government of India in the Finance Department desire to take advantage of the re-minting of the coinage to decimalize the coinage system which would go a long way to simplify accounting and facilitate calculation. As the support of the public to this process of change is very essential, they address all Provincial Governments and the Auditor-General of India in letter No. F.2 (76)-F/44, New Delhi, dated the 24th April, 1945, with an attached Memorandum explanatory of the proposal, eliciting their views on this contemplated change. The Accountants-General of the various provinces in their replies draw pointed attention to the main difficulties that are likely to confront this change and also offer suggestions to meet some of those difficulties. But all of them with the exception of the Comptroller of Assam, are in favour of the decimal system of coinage.

2. The Memorandum Explanatory of the proposal enlarges upon the opportunity for changing the present system, the details of the decimalization, the advantages of the proposed system and the probable difficulties in the way of this reform. All this may be studied with care but the precis-writer will ultimately find that a large part of it may not be useful to him.

3. All the letters do battle with the difficulties but each has its own weapons to recommend for use. The Accountant-General, Bihar, for example, would suggest the circumventing of the difficulties in accounting by a wide distribution of slips of

paper referred to in the Memorandum. The Accountant-General, Central Provinces and Berar, suggests new arrangements for the successful operation of the new system. The A. G. C. R. recommends the simultaneous introduction of the decimal system in weights and measures as well as lengths and volume. The Accountant-General, Punjab, suggests the reduction of the transition period to six months and the keeping of accounts in whole cents only. The Accountant-General, Posts and Telegraphs wishes the abolition of half cent pieces in order to avoid complications in accounting. The Accountant-General, Madras, would spare the use of the printed slips altogether and suggest a new method whereby ease and despatch in exchange of one series of coins for the other, could be secured. These suggestions are to be necessarily scanned for making the precis as complete as possible.

4. There are certainly some fortuitous coincidences among the views set forth in different letters, and the candidates ought not to waste their time in repeating the same ideas.

5. The length of some of the letters and the previous toil which some other letters betray may at first strike some fear of bulk in the hearts of the candidates, but that will vanish as soon as the essential points are transported into their minds. The subject is simple, however elaborately presented it may seem to be.

II. DRAFT

Office of the Auditor-General of India, Simla.

No.....

Dated the..... 19.....

From

The Auditor-General of India, Simla.

To

The Secretary to the Government of India,
Finance Department, New Delhi.

Sub : Decimalisation of the Coinage.

Sir,

I am to invite a reference to the Government of India, Finance Department, letter No. F2. (76). F/44 dated the 24th April, 1945, dealing with the proposal to decimalize the system of coinage in India. The introduction of the decimal system of coinage will undoubtedly be a big step forward towards quick and simple methods of computation and accounting and will make India fall in line with the modern practice that has found general favour with most countries of the world. Apart from the speed with which all arithmetical processes can be gone through,

to the barest minimum will go a long way to the advantage of both the public and the accounting authorities. Such a thing is possible only when a sufficient quantity of the new coins has been minted and supplied to the treasuries and the exchange period, when the old coins are exchanged for the new is restricted to a limited range. Moreover, the public may be encouraged to convert the old coins into new ones by persuasion. The old coins, when so received, may be collected into a pool of uncurrent coins and charged off to a suitable head until they are remitted into the mint.

6. A detailed examination of the difficulties and suggestions brought out in the foregoing paragraphs will, however, be necessary when the Government of India may finally decide to adopt the decimal system.

Yours faithfully,

.....

Auditor-General of India.

Note :—While collecting matter for your draft, allow your eyes to dwell on the “difficulties and suggestions” to overcome them, as indicated in the several letters of the correspondence. Try to abridge them as much as possible. Finally express the ideas in a style bare, unadorned, but full of penetrating power. Non-embellishment of the formal aspect of your draft is the only embellishment you should secure for it.

**S. A. E., MARCH 1948
PRECIS AND DRAFT**

Time 3 hours]

[Full marks : 150

- I. Make a precis of the correspondence given below.**
- II. Draft a letter from the Government of India to the Government of the Punjab explaining why it is not considered necessary to frame a rule for incorporation in the Pension Rules.**

Letter from W. R. Tennant, Esq., I. C. S., Additional Deputy Secretary to the Government of India, to all Provincial Governments, No. F./52. II/R-II/1928, dated the 14th March, 1928.

—

(Subject:—Eligibility for the Award of Additional Pensions)

I am directed to invite a reference to the Memorandum of the Punjab Government regarding the interpretation of the term "approved service" in connection with the grant of special additional pensions, which together with certain other papers, was circulated with Mr. Sanjiva Row's letter No. F. 10-XIV-F-27, dated the 20th October, 1927. As you are aware, the matter was considered at the Conference of Financial Representatives held in November last, and it was agreed that the views of local Governments should be invited before framing a rule for incorporation in the Fundamental Pension Rules.

2. I am to request that, with the permission of His Excellency the Governor-in-Council, the Government of India may be furnished with the views of the Government of Madras at an early date.

Bombay, etc.

No. F.-52-II/R.-II-/28.

Copy forwarded to the Government of the Punjab for information.

MEMORANDUM

Question of the interpretation of the term "Approved Service" as used in the Pension Rules

Articles 475, 475-A and 643 of the Civil Service Regulations, which relate to additional pensions, state that a condition of the award of such a pension is that the officer concerned has shown such special energy and efficiency as may be considered deserving of the concession. The question of the interpretation of this condition was referred by the Government of India to the Secretary of State-in-Council and his ruling was conveyed in Finance Department, Government of India, letter No. F.-3-

C.S.R./25 dated the 7th January, 1925, to all Local Governments. The ruling was to the effect that the provision should be interpreted to mean that an officer, who has rendered "approved" service in one of the posts to which the articles apply, shall be eligible for the additional pension. The reason given for this ruling was that it was in accordance with the practice that had been followed for many years.

2. The Punjab Government protested against this ruling on grounds, firstly, that it was not in accordance with the past practice in the Punjab where the case of each officer was examined on its merits in order to determine whether he had shown such special energy and efficiency as rendered him deserving of the concession; and secondly, that the test of "approved service", unless further defined, would make the grant of additional pension automatic. It was pointed out that according to the ordinary interpretation of "approved service" any Government servant, whose work had not been so unsatisfactory as to justify his removal or reversion, would be held to have rendered approved service, that every one, who had rendered approved service, would be held to have shown "special energy and efficiency" and to have earned an extra pension and that only a few extraordinarily unsatisfactory officers would be excluded. It was further explained that cases were pending in which extra pensions had been refused on the ground that the Government servants concerned had not shown any special energy or efficiency, but that it would not be possible to refuse them on the ground that they had not rendered approved service and that the very fact they had been allowed to continue in their positions would argue that their service was in fact approved.

3. The Government of India again referred the case to the Secretary of State who, however, maintained his former ruling in view of the practice followed by the Government of India in the past. The result has been that the Punjab Government had to sanction additional pensions to officers in regard to whom it had previously refused this concession, and in the case of one officer it had to grant an additional pension although he had been passed over several times as unfit for promotion to selection grade.

4. The Punjab Government desire to lay the question of "approved service" before the Conference of Financial Representatives with a view to ascertain how other Governments are interpreting the term "approved service" of which no definition appears to exist; and whether in any case they are following the practice in the Punjab previous to the ruling of the Secretary of State as their ordinary rule of practice having regard to the fact that these additional pensions are intended as an incentive to good

service, and not merely as a recognition of the routine performance of ordinary duties. If the relevant articles of the C. S. R. are not to be interpreted strictly according to their reading, it suggests that the reference to "special energy and efficiency" in the relevant articles of the C. S. R. should be omitted and the articles be so worded as to bring them into consonance with the rule of practice as prescribed by the Secretary of State.

Letter from E. C. Wood, Esq., I. C. S., Deputy-Secretary to the Government of Madras, Finance Department, to the Secretary to the Government of India, Finance Department, Simla, No. 266-Mis., dated the 30th April, 1928.

I am to say that this Government have been construing the phrase "approved service" contained in letter No. F. 5085/24, dated the 23rd October, 1924, as meaning that there is nothing on record against the officer. The Madras Government understand that this is the interpretation adopted by the Government of India also.

In the Memorandum prepared by the Punjab Government for the Conference of Financial Representatives, a different and more lenient interpretation has been given to the expression "approved service". This Government would agree with the Punjab Government that it gives the rule too wide a scope to interpret "approved service" as applying, to the service of any Government officer, whose work has not been so unsatisfactory as to justify his removal or reversion. This Government, however, have never so interpreted "approved service" and do not think that such objection can be taken to the interpretation which they have been following. The criterion that there is nothing on record against the officer has moreover the great advantage that it is simple to apply it to individual cases. This Government would deprecate the adoption of any test other than the written record of the officer, believing that this would give rise to doubts and differences of opinion, which should be avoided in connection with an officer's pension. And in practice, owing to the way in which the records of officers are generally maintained the record of an officer must reveal the existence or otherwise of anything recorded against him.

At the same time, this Government consider that it is desirable to bring the wording of the rule into accord with the manner in which it is applied in practice.

Letter from A. Cassels, Esq., M. A., I. C. S., Secretary to the Government of Bengal, to the Secretary to the Government of India, Finance Department, No. 197T/F., dated the 1st May, 1928.

I am directed to refer to Mr. Tennant's letter No. F 52/II-R-II/28, dated the 14th March, 1928, and to say that in the opinion

of the Local Government; the term "approved service" as used in connection with the grant of special additional pension should be interpreted as requiring "satisfactory service" rather than "special energy and efficiency". These pensions are intended for holders of posts of selection grade status, who must have shown superior ability and efficiency before gaining promotion. This Government therefore consider that it is sufficient if their service continues to be satisfactory but it is recognised that the automatic grant of these pensions must be guarded against.

Letter from E. A. H. Blunt, Esq., C. I. E., I. C. S., Secretary to Government, United Provinces, to the Secretary to the Government of India, Finance Department, No. 1659-C., dated the 5th May, 1928.

I am directed to refer to Mr. Tennant's letter No. F. 52/II-R-II/1928, dated March 14th, 1928, and to make the following observations for the information of the Government of India.

2. The selection posts, which carry additional pensions under Articles 475, 475-A and 643 of the Civil Service Regulations have specially heavy responsibilities and only officers with special capabilities can fill them. A high standard of efficiency is demanded of such officers and unless they attain that standard their service cannot be regarded as worthy of approval. In other words, such an officer becomes eligible for the additional pension if he has rendered service, which is up to the standard demanded in the post, and which is, therefore, worthy of approval in that post.

3. To hold that "approved service" means service, which has not been so unsatisfactory as to justify the removal or reversion of the officer, is really to substitute for the word "approved" the words "not disapproved". To suggest, on the other hand, that the term "special energy and efficiency" means "special" even amongst the incumbents of a post that requires a high standard of energy and efficiency, is going too far in the other direction. It would mean that only the most exceptionally efficient officers would draw the additional pension, which would then go, not (as was obviously intended) to any officer, who can work up to the standard required of him, but only to such as can exceed that standard.

4. It may be argued that, if the term "approved service" is thus defined, then most officers, who have held these selection posts will get the additional pension. That, however, is not necessarily the case. For instance, as has already been pointed out, officers of specially high qualifications are required for such posts. But, in practice, only the best man available can

be appointed; and he, though the best available, may not be quite up to the standard which the post demands. Again, an officer apparently well qualified may disappoint expectations; or he may start well and end badly. In all these cases, the officers concerned would not have rendered "approved service" in the sense suggested, and consequently would not be entitled to additional pension.

5. The Governor-in-Council considers, therefore, that the question whether service is approved or not can only be decided on the merits of each individual case. But the worth of the service must be measured against the standard required in the post. On the one hand, it must not be assumed that every incumbent of such a post is up to that standard as a matter of course; nor, on the other hand, must it be held that to earn the pension he must exceed that standard. His Excellency-in-Council is not convinced that it is necessary to reinterpret the term "approved services", since any such reinterpretation would probably restrict the discretion of the sanctioning authority. But, if it is to be reinterpreted, he considers that it should be along the lines indicated.

Letter from G. Wiles, Esq., C.I.E., I.C.S., Secretary to the Government of Bombay, Finance Department, to the Secretary to the Government of India, Finance Department, No. 5744-C., dated the 8th May, 1928.

In reply to your letter No. F. 52-II/R.-II/1928, dated the 14th March, 1928, I am directed to state that the Government of Bombay would favour the retention of the term "approved service" as a condition of the grant of special additional pensions. I am to add that in order to make the meaning of the word "approved" clear a note may be added to the effect that it is essential that the service of an officer shall have been such as to have commended itself to Government as especially meritorious and that it is not enough merely that it has not been disapproved.

Letter from H. M. Prichard, Esq., I.C.S., Secretary to the Government of Assam, to the Secretary to the Government of India, Finance Department, No. 2810-F., dated the 7th May, 1928.

With reference to Mr. Tennant's letter No. F.52/II-R.-II/1928, dated the 14th March, 1928, I am directed to say that the special posts, to which additional pensions are attached, are filled by election, and the officer selected will presumably, if he discharges his more onerous duties to the satisfaction of Government, display the special qualities on account of which he was selected for the post. If the work of such an officer is such as

not to justify the extra pension, it is not fair either to the taxpayer or to the officer concerned to all the latter to retain the post and his services should be dispensed with at an early stage. The fact that Government retained the officer in service during the period necessary to earn the pension would imply that Government "approved" of his services. The Governor-in-Council, therefore, considers that "approved service" in one of the special posts should entitle an officer to the additional pension, and that in the revised pension rules this expression should replace the expression "such special energy and efficiency, etc."

Letter from A. E. Gilliat, Esq., I.C.S., Secretary to the Government of Burma, Finance Department, to the Secretary to the Government of India, Finance Department, No. 387-M./27 (389), dated the 12th May, 1928.

In compliance with the request made in Mr. Tennant's Finance Department letter No. F. 52/II-R /II/1928 of the 14th March, 1928, I am directed to submit the views of this Government regarding the provision, which should be made in the Fundamental Pension Rules, to regulate by reference to the quality of a Government servant's service his eligibility for one of the additional pensions at present admissible under Articles 475, 475-A and 643 of the Civil Service Regulations. The present position in brief is that each of these Articles prescribes as one of the conditions of the grant of a special pension thereunder that the officer must have shown such special energy and efficiency as may be considered deserving of the concession. In Macleod's letter No. F.-3-C.S.R./25, dated the 7th January, 1925, however, the Government of India communicated a ruling by the Secretary of State-in-Council that, in accordance with the practice that had been followed for many years, this provision should be interpreted to mean that an officer, who has rendered approved service in one of the posts to which the Articles apply, shall be eligible for the additional pension. The objection being considered by the Conference of Financial Representatives at Delhi in November 1927, and ultimately in the present reference, is based briefly on three grounds:—

- (1) that the ruling is not in accordance with the previous practice in the Punjab ;
- (2) that no authoritative definitions appear to exist of the term "approved service", which the Secretary of State-in-Council decided to substitute for the term "special energy and efficiency"; and
- (3) that, in the absence of a specific definition and adopting the ordinary interpretation of the term

“approved service”, the grant of additional pensions would become practically automatic to all Government servants otherwise qualified, whose work has not been so unsatisfactory as to justify their removal or reversion.

2. The Government of Burma recognises that there is much force in the objections raised by the Punjab Government and it attaches special weight to the third of these objections. The prescriptions of the Civil Service Regulations in regard to the grant of the full ordinary pension are clear and definite. Article 470 states that the full ordinary pension should not be given unless the service rendered has been really approved; and that, if the service has not been thoroughly satisfactory, the authority sanctioning the pension should make an appropriate reduction in the pension. Yet it is a matter of common knowledge that the full ordinary pension is rarely ever reduced and that it is granted almost as a matter of course. If, therefore, the prescriptions of this Article were also applied to the grant of these special additional pensions, and that is what the Secretary of State's ruling amounts to, the same result would almost certainly follow. The Government of Burma would regret this result, and it regards the chief value of the existing wording of Article 475 with its reference to special energy and efficiency to be that it leaves the sanctioning authority complete discretion to decide whether or not the special additional pension should be awarded. Provided this discretion is maintained, the Government of Burma is not particular as to the precise wording of the relevant Articles so long as some definite criterion is laid down in them. The result to be aimed at is that the special additional pension should not be awarded unless the officer concerned has justified his selection for the post to which the Articles apply; and the Government of Burma would suggest that the sanctioning authority should be required to attach a certificate to this effect to the order sanctioning the special additional pension.

Letter from N. J. Roughton, Esq., I.C.S., Financial Secretary to Government, Central Provinces, to the Secretary to the Government of India, Finance Department, Simla, No. C./846/213-R./III, dated the 24th May, 1928.

I am directed by the Governor-in-Council to refer to the Government of India, Finance Department's letter No. F. 52-II-R-II-1928, dated the 14th March, 1928, asking for the views of this Government on the question of incorporating in the Fundamental Pension Rules a rule corresponding to the provisions of Articles 475, 475-A and 643 of the Civil Service Regulations, which will exhibit the correct interpretation of the term “approved service,” as used in the Pension Rules.

2. In reply, I am to say that the Governor-in-Council supports the view contained in the Memorandum of the Punjab Government referred to in the letter under reply that if additional pensions are intended to serve as an incentive to good service and not merely as a recognition of the routine performance of ordinary duties in one of the administrative posts referred to in Articles 475, 475-A and 643 of the Civil Service Regulations, the Secretary of State may be moved to amend the orders contained in Government of India, Finance Department's letter No. F.-3-C.S.R. 25, dated the 7th January, 1925, so that they may be in consonance with the spirit of the rules, which lay down "special energy and efficiency" as the criteria for the grant of such additional pensions. I am to add that the amendment suggested is in accordance with the interpretation placed by this Government on the term "approved service" as it was understood by this Government before the receipt of the Secretary of State's orders contained in Government of India, Finance Department's letter of 7th January, 1925.

Letter from P. C. Tallents, Esq., I.C.S., Secretary to Government of Bihar and Orissa, to the Secretary to the Government of India, Finance Department, No. 4097-F.R., dated Ranchi, the 18th September, 1928.

In reply to Mr. Tennant's letter No. F.-52-II-R.-II-1928, dated the 14th March, 1928, I am directed to say that, in the opinion of the Government of Bihar and Orissa, additional pensions should only be awarded at the discretion of the local Government to officers, who have maintained during their tenure of a scheduled appointment a high standard of energy and efficiency.

2. I am to add that this is the interpretation, which the Government of Bihar and Orissa have in the past put upon the term "approved service".

ANSWER TO QUESTION PAPER MARCH 1948

1. **Precis.**

(Subject :—Eligibility for the Award of
Additional Pensions.)

In pursuance of the agreement reached at the Conference of Financial Representatives held in November, 1927, the Government of India, in their letter No. F. 52-II-R-II-1'28, dated the 14th March, 1928, referring to the Memorandum of the Punjab Government, invited the views of the provincial Governments on the interpretation of the term "approved service" in connection with the grant of special additional pensions.

2. The Punjab Government, in their memorandum had drawn attention to the lack of a proper definition of "approved service" as prescribed for the award of special additional pensions under Articles 475, 475-A and 643 of the C. S. R., namely, that the officer looking for it, must have shown such special energy and efficiency as might be considered deserving of the concession. In their letter No. F-3-C. S. R. 25, dated the 7th January, 1925, the Government of India, Finance Department had conveyed to all Local Governments the ruling of the Secretary of State-in-Council in this connection, namely, that the officer rendering approved service in one of the posts to which the Articles applied should be treated as eligible for the special additional pension.

3. The Punjab Government protested against this ruling on the score that it was not in accordance with the past practice in the Punjab where the case of each officer was examined on its merits and the pension awarded or not, and that, unless the term "approved service" was further defined, it would make the grant of additional pension automatic to all Government servants whose work had not been so unsatisfactory as to justify their removal or reversion. The matter was again referred to the Secretary of State-in-Council, but he maintained his former ruling of the practice followed by the Government of India in the past. Then the Punjab Government decided to lay the question of "approved service" before the Conference of Financial Representatives in order to ascertain whether other Governments were following the Punjab Government's practice before the award of the ruling, or, at any rate, what the practice of other Governments was. It was, therefore, agreed at the Conference of Financial Representatives held in November, 1927, that the views of the Provincial Governments should be elicited before framing a rule corresponding to the provision of the concerned Articles in the C. S. R., for incorporation in the Fundamental Pension Rules.

4. The Provincial Governments, as their replies showed, were fairly in agreement with the interpretation conveyed in the ruling of the Secretary of State. The Madras Government interpreted the phrase "approved service" as meaning that there was nothing on record against the officer and that this interpretation could easily be applied to individual cases. This Government knew of no test other than the written record of the officer which would show the existence or otherwise of anything recorded against him. Any other test would lead to doubts and differences of opinion. But they expressed the desirability of amending the rule so as to specify the manner in which it was applied in practice.

5. The Government of Bengal were of the opinion that the phrase "approved service" should be interpreted as requiring

satisfactory service rather than "special energy and efficiency". In view of the fact that these pensions were intended for holders of posts of selection grade status, they considered that it was sufficient if the officer's service continued to be satisfactory. Only the automatic grant of these pensions should be guarded against.

6. The Government of the United Provinces found it unnecessary to re-interpret the term "approved service" as such a re-interpretation would probably restrict the discretion of the sanctioning authority. In their view, the worth of the service must be measured against the standard required in the post. It must not be assumed, however, that every incumbent of such a post was up to the mark as a matter of course; nor could it imply that to earn the pension he must exceed that standard.

7. The Government of Bombay would favour the retention of the term "approved service" provided a clarifying note was added to the effect that the service of an officer had commended itself to Government as especially meritorious.

8. The Government of Assam considered that "approved service" in one of the special posts should entitle an officer to the additional pension, and that in the revised pension rules this phrase should replace the other, "Special energy and efficiency".

9. While the aforesaid Governments were fairly in agreement with the interpretation conveyed in the ruling of the Secretary of State, the Governments of Burma, Central Provinces, Bihar and Orissa differed from it. The Government of Burma recognised much force in the objection raised by the Punjab Government. They also insisted that the provision "special energy and efficiency" should give full discretion to the sanctioning authority to decide whether the special additional pension should be awarded or not, and suggested the need of the sanctioning authority attaching a certificate of eligibility to the order sanctioning the special additional pension.

10. The Government of Central Provinces and Bihar and Orissa also echoed the opinion of the Punjab Government and stated that they had followed the same interpretation before the ruling of the Secretary of State was conveyed to them. The Government of the Central Provinces, however, suggested that the Secretary of State might be moved to amend the orders contained in Government of India, Finance Department's letter No. F. 3-C. S. R. 25, dated the 7th January, 1925, so as to bring out the spirit of the rules.

POINTS TO BE KEPT IN MIND

1. The Memorandum traces the manner in which the question of the interpretation of the term "approved service" was tackled. Don't waste time on the details of it. It would be enough to know the grounds of the protest made by the Punjab Government against the ruling of the Secretary of State concerning the implications of the term.

2. Glean from the Letters of the Provincial Governments their agreement or disagreement with the ruling of the Secretary of State, and group their views accordingly.

3. All redundancies of expression must be vigorously pruned ; otherwise the Precis will exceed its limit.

4. Long letters do not mean more details, and short letters do not imply any sin of omission.

5. In the course of your second reading of the correspondence you should be in a position to get at the central thought of each letter, which may be marked with vertical strokes of the pencil against the relevant portions in the margin.

6. The Precis must be a connected whole. The paragraphs into which it may be divided, must not give impression of disjointed notes, but must be joined together in such a way as to read continuously.

7. Moreover, the Precis must convey its message fully and clearly without requiring any reference to the original to complete its meaning.

II Draft
GOVERNMENT OF INDIA
Ministry of Finance
No.....

From

The Secretary,
The Government of India,
Ministry of Finance,
New Delhi,

To

The Secretary to the Government of Punjab,
Finance Department, Simla.

Dated.....
New Delhi.

Sub. : Eligibility for the Award of Additional Pensions.

Sir,

I am directed to invite a reference to the Government of India's Letter No. F. 52/II-R.-II/28, dated the 14th March, 1928, regarding the interpretation of the term "approved service" for the grant of special additional pension under Articles 475, 475-A and 643 of the C. S. R. and to state that, in consonance with the decision arrived at in the Conference of Financial Representatives held in November 1927, the views of the Provincial Governments were invited on the need of framing a rule for incorporation on the Fundamental Pension Rules.

2. The Government of India, after a careful perusal of the opinions expressed by the various Governments, are inclined to interpret the term "approved service" contained in letter No. F. 5085/1-24, dated the 23rd October, 1924, as meaning that there is nothing on record against the officer and that it implies continued satisfactory service. This interpretation naturally follows from the fact that the posts referred to are filled by officers of the selection grade status who must have shown superior ability and efficiency before gaining promotion. The very fact that an officer is promoted to one of these posts, shows that he must have rendered such service as commended itself to Government to be especially meritorious. If, on the other hand, his work does not justify the additional pension, it is not fair either to the tax-payer or to the officer concerned to make him retain the post. In such an event, it may be advisable to dispense with his services at an early stage, and the question of the automatic grant of these pensions will not, therefore, arise. The retention of the officer in that post during the scheduled period will naturally imply that the Government approve of his service.

3. Moreover, the criterion of a clean record in respect of an officer is sufficiently simple to apply to individual cases. The Government, therefore, do not recognise any other test than the written record of the officer and are firmly convinced that all doubts and differences of opinion in connection with an officer's pension should be sedulously avoided. In practice, owing to the manner in which the reports of the offices are generally maintained, the record of an officer must reveal the fact or otherwise of anything recorded against him.

4. In view of the foregoing considerations, the Government of India see no necessity at all for framing any rule for incorporation in the Fundamental Pension Rules.

Yours faithfully,
Secretary,
Ministry of Finance,
Government of India.

No.....

Copy forwarded to the Secretary to the Governments of Madras, Bengal, Bombay, Assam, etc., for information.

(Sd.).....

*Note :—*You have no need to invent arguments to prove that it is not necessary to frame a rule for incorporation in the Pension Rules. They are all ready to hand, embedded in the course of the correspondence. A little effort will enable you to pick them out and your skill should be shown in manipulating them to the exact requirement of the draft.

The details of the second paragraph of the draft for example are drawn from the letters of the Madras, Bengal and Assam Governments. Similarly, the third paragraph contains a few facts drawn from other letters.

Your originality lies in a careful co-ordination of those details and a convincing and coherent presentation of the case in question. It is only a trained hand that can glean the corn from the sheaves.

S. A. E.

January 1949

Time allowed : 3 hours.]

[Full marks : 150.]

	Marks
1. Make a precis of the following correspondence.	100
2. Draft a reply from the Government of Bombay, Finance Department, to the Government of India on the following lines :—	50
(a) Legislation should be Central, but it should be possible for Provincial Legislatures to vary the rates of duty.	
(b) Compulsory representation is not impracticable though it would undoubtedly be unpopular.	
(c) The limit of exemption should be high.	
(d) A copy of the replies received by Government is to be forwarded.	

Government of India, Finance Department, Letter No. F. 3 (XIII) F-27, dated 28th November, 1927, to all Provincial Governments.

(Subject :—Probate Duties.)

1. I am directed to address you on the subject of Probate duties discussed in the Report of the Indian Taxation Enquiry Committee. The Committee have come to the conclusion that the peculiar conditions of India render the imposition of a succession duty impracticable in India.

2. An extension of probate duties is recommended by the Committee partly on grounds other than fiscal.

The Government of India consider, however, that the real justification for imposing the duty would be the need for revenue and that it is for the Provincial Governments to consider whether they are prepared to exploit this particular field. They do not wish to claim the duty as a source of Central Revenue. They desire that the question should be considered primarily from this standpoint.

3. I am next to deal with the proposals for enforcing a system of universal representation, which the Committee justify on the fiscal ground of the convenience of designating a person on

whom the responsibility for the payment of duty can be fixed, though they go on to justify it on legal grounds connected with the need of providing for the administration of the estate till full effect can be given, judicially or otherwise, to the succession. After careful consideration the Government of India are themselves of opinion that representation cannot be made compulsory throughout India. Those Provincial Governments who are not opposed to the compulsory probate of wills should consider whether universal representation is advisable and feasible in their provinces.

4. If universal representation is considered inadvisable, it will be necessary to examine the alternative plan mentioned by the Committee, which contemplates an ordinary revenue or income tax process resting on an inventory supplied by certain persons and on reports of village and other officers, backed by penalties for evasion and by precedence of the duty over other charges on the estate. The Government of India would be glad to have the opinions of Provincial Governments on this proposal.

5. The Government of India consider that it is unnecessary at the present stage to offer any observations on the scale of duty proposed, or other matters of detail, since they do not appear to raise any questions fatal to a scheme of estate duties.

6. But the proposal that legislation for the imposition of these duties should be Central requires detailed examination. The Committee recommend this on two grounds: firstly, on the analogy of Court Fees, they consider it desirable that the taxation should be uniform. Secondly, because in their opinion, provisions affecting the personal law of Communities should not be different in different parts of India.

The provincial legislatures have full powers to impose taxes on succession and the presumption is against interference by the Central legislature in the domain of provincial legislation. And however desirable it may be that provisions affecting the personal law of Communities should be uniform throughout India, such uniformity of practice may not be feasible in the circumstances of particular provinces. Uniformity of rates of taxation can, conceivably, be attained by provincial legislation.

On the other hand, it would appear to be more important that this form of taxation should be universally applied than that the rates should be uniform. If one province did and a neighbouring province did not levy duties, an early difficulty in a provincial scheme would arise in connection with the definition of property chargeable and the means for its discovery, and there might be the complication of evolving laws of provincial domicile. It is, therefore, possible to contend on this view that a portion

of the legislation at least should be Central, the remainder being left to local legislatures.

The Government of India will not attempt at this stage to balance finally the various considerations stated in this paragraph. For the present, they retain an open mind as to the legislature in which legislation should be undertaken, and propose to defer a decision till they receive the views of the provinces regarding the action which is possible in each. They are, however, inclined to the view that central legislation should be confined to those matters in which regulation of inter-provincial relations is desirable and that the field of provincial legislation in other matters should be kept as wide as possible.

The Government of Bombay consulted several judicial officers before replying to the Government of India. Their replies are given below :

From the Registrar, His Majesty's High Court of Judicature, Appellate Side, Bombay, to the Secretary to the Government of Bombay, Home Department, Bombay.

With reference to your letter No. 3438/2-B dated the 31st May, 1928, I am directed by the Honourable the Chief Justice and Judges to say that their Lordships have confined their attention to the main questions involved as they have not the time at their disposal to give opinions on the details of this complicated matter. The main subjects considered by their Lordships have been the feasibility of and necessity for universal compulsory representation and the question whether legislation should be Central or Provincial. Their Lordships are not unanimous on all these subjects, and I am accordingly to append the minutes recorded by them in the matter.

Minute No. 1.

Some of the District Judges are in favour of universal representation but the majority of those consulted, oppose it.

I agree with the minority that universal compulsory representation, as proposed by the Taxation Committee is the proper course, for as has been shown by the Taxation Committee, the present system of Compulsory Representation in India is inequitable and wrong, depending as it does on race and creed. The state of affairs in respect of wills is also anomalous and indefensible and gives occasion for much hard swearing and frequently fraudulent proceedings. The main objection to applying universal representation is based on the joint family system and the provisions of the Mahomedan Law, but all these difficulties have been considered by the Taxation Committee, and are not insuperable.

I am strongly in favour of universal representation which the conditions of modern India require.

Minute No. 2.

I am disposed to agree with the majority of District Judges consulted that universal representation is not advisable. That seems to be the opinion of the Government of India, also.

Minute No. 3.

The Government of India has apparently rejected the suggestion for a system of universal representation as impracticable, but apart from fiscal consideration such a system would tend to settle titles and discourage speculative litigation. In this country, purchasers of immovable property are always liable to have their title attacked by persons claiming to be interested in the estate of their vendor, often years after the transfer.

As the conditions of various provinces differ so widely, I am doubtful whether legislation should be Central.

Minute No. 4.

The principle of universal representation will no doubt be opposed strongly and be unpopular in the Hindu and Mahomedan communities.

I am disposed to think that the legislation should be Central.

Minute No. 5.

The Indian Taxation Enquiry Committee came to the conclusion that the levy of a succession duty in India was impracticable. The alternative to the levy of succession duty is to make representation compulsory.

As pointed out, it would expose a number of poor and ignorant people to an unnecessary amount of trouble and expense. It may be added that it would impose a considerable amount of extra work on the courts and would correspondingly benefit the legal practitioners. If, however, the limit of exemption is placed high, the Scheme will be less oppressive. Moreover it will do much to secure the honest purchaser of the estate from litigation by relatives of the deceased and will, on this account, reduce litigation. The Government of India gave no reason for saying that the system of universal representation cannot be made compulsory throughout India. In my opinion it is perfectly feasible in this Presidency and if succession duty is not favoured, it may also be advisable for fiscal reasons.

Minute No. 6.

I am opposed to the proposed legislation. If at all it is to be taken in hand, it should be Central.

With a large majority of the population not knowing how to read and write, the hardship which death duties would entail on the illiterate masses are likely to be very serious and the recovery of such duties not so easy as may appear at first sight. After another 20 or 25 years, it might be feasible to introduce the proposed legislation.

From the Advocate-General, High Court, Bombay, to the Secretary to the Government, Home Department.

I am of opinion that universal representation is advisable and feasible in the Bombay Presidency and a succession, transfer or mutation duty should be imposed.

It should be impossible for any person to establish a right in any Court of Justice to any part of the estate of a deceased person unless he has taken out probate or letters of administration.

As pointed out by the Government of India, this form of taxation if applied should be universally applied and a portion of the legislation, at least, should be Central.

From the Solicitor to Government, Bombay, to the Secretary to the Government of Bombay, Home Department.

The proposals affect two subjects of different aspect although for the purpose of collection of the proposed duty or taxation in the nature of an inheritance or death duty they are rightly considered together. The first is the question of whether the time has arrived to require that in all cases of death legal representation of some sort should be taken out in respect of the property passing on the death. The second question is whether taxation in the form of death duties should be introduced.

2. With regard to the first point, I am certainly in favour of legislation being introduced to remove the anomaly under which the necessity for obtaining probate of Will and of taking out letters of Administration in the case of persons dying intestate is only incumbent on certain classes and in certain areas, and to make it necessary that on the death of every person in India where property of above a certain value passes as a result of that death, legal representation to the estate of the deceased shall be obtained from the Court.

3. I think that legislation with the above object should be enacted by the Central Legislature and that this should be made universal throughout India. Unless this is done in these days of rapid transport and inter-communication, questions of provincial domicile would be likely to arise which would give great trouble. Universal representation should be made compulsory throughout India.

4. I think that in the introduction of death duties at first, attempts should be made to collect the duty from estates of large value and the imposition of this incidence of taxation can be gradually introduced upon estates of lower value. I would suggest that the duty might first be introduced in respect of estates of immovable properties passing upon death of the value of Rupees one lakh or over. This will be all the easier towards the introduction of universal representation as it will not entail the rigorous enforcement of the regulations in this respect against the representatives of smaller estates until such times as Government may make such estates liable for death duties by which time the machinery by which representation is to be taken out will be understood by the community.

5. Legislation introducing universal representation should, as I beg to submit, be by an Act of the Central Legislature and I further submit that an Act introducing the inheritance tax or by whatever name the duty is to be called should also be from the Central Legislature but the scale of duty and other details may be left to the Provincial Governments to adjust according to their financial requirements and the machinery for collection of the duty would also be under the control of the Provincial Governments.

Answer to S.A.E. Question Paper

JANUARY 1949

1. PRECIS

(Sub : Probate Duties)

The Indian Taxation Enquiry Committee had drawn the conclusion that the peculiar conditions of India rendered the imposition of a succession duty impracticable, although they had recommended an extension of probate duties partly on grounds other than fiscal.

2. In their letter No. F. 3 (XIII) F-27, dated the 28th November, 1927, the Government of India invited the views of the Provincial Governments on the following proposals discussed by the committee :

The advisability and feasibility of universal representation in the provinces in which representation would mean a legal succession to the estate of the deceased obtained from the court ;

The alternative plan envisaging an ordinary revenue or income-tax process resting on an inventory backed by penalties for evasion and by precedence of the duty over other charges on the estate ; the legislation should be Central.

3. The Government of India, expressing their own view on the proposal, **considered** the fiscal purpose as the real justification for imposing the duty and desired to know if the Provincial Governments were prepared to exploit this particular field, stating, at the same time, that they had no desire to claim it as a source of Central Revenue.

4. The Committee had justified the enforcement of a system of universal representation on the fiscal and legal grounds, fiscal, consisting in the convenience of designating a person responsible for the payment of the duty; legal, connected with the need of providing for the administration of the estate till judicial sanction was given to the succession. But the Government of India, **after deliberation were themselves of opinion** that representation could not be made compulsory throughout India.

5. The Taxation Committee **recommended** Central legislation on two grounds : firstly, that the taxation should be uniform and secondly, that the provisions affecting the personal law of committees should not be different in different parts of India. The Government of India, however, **would think** that uniform rates of taxation could be attained even by provincial legislation. They considered the universal application of the taxation to be more important as that would avoid the difficulties connected with the definition of property, the means for its discovery and provincial domicile. Therefore, in their view legislation should be partly central and partly provincial. The central legislation should be limited to matters concerning interprovincial relations, while provincial legislation should be as wide as possible in other matters.

6. The Government of Bombay **consulted** many of their Judicial officers on these proposals. From their replies it was clear that there was no **unanimity of opinion** among them, the Advocate-General, the Solicitor and three Judges of the High Court considering universal representations as advisable and feasible, and the rest opposing it.

7. One of the Judges **expressing** himself in Minute No. 1 **pointed out** that the present system of representation in India was inequitable and wrong as it depended on race and creed; and all the three referred to the anomalous and indefensible state of Wills which gave scope for much hard swearing and frequent fraudulent proceedings, and affirmed that apart from fiscal considerations, the proposed legislation would tend to settle titles and discourage speculative litigation. The Advocate-General **suggested** that legal representation in the form of probate or letters of administration should be obtained from the court on the death of every person in India. The Solicitor, while echoing the same **opinion favoured** the imposition of this duty in the first instance,

on large estates of the value of one lakh or over and gradually on estates of lower value. The community would have understood the system by the time the smaller estates were made liable for death duties.

8. The remaining Judges who **opposed** compulsory representation **held the view** that the principle would be unpopular with the Hindus and Mohamedans and would also entail hardship and trouble on the illiterate masses. It was added that it would impose a considerable amount of extra work on the courts and would correspondingly benefit the legal practitioners.

9. On the question of legislation, there was general agreement among the Advocate-General, the Solicitor and two of the Judges that it should be Central and universally applied.

The Advocate-General **agreed with the opinion** of the Government of India. The Solicitor thought that unless the principle was universally applied throughout India in these days of rapid transport and inter-communication, questions of provincial domicile would yield bumper trouble. Although insisting on central legislation for this purpose, he would **submit**, however, that the scale of duty and other details might be left to Provincial Governments to adjust according to their financial requirements and that the machinery for collection of the duty should also be their control.

IMPORTANT POINTS

1. The comprehensive term "Death Duties" means a form of taxation by which a certain proportion of inheritance is appropriated by the Government. It includes "Probate Duty", which means a progressive tax payable as a stamp duty by the person who applies for letters of administration.

2. There are three major issues implied in the correspondence:

(a) The real justification for imposing the duty on fiscal grounds.

(b) The feasibility of and necessity for universal compulsory representation.

(c) The question whether legislation should be Central or Provincial.

If these three things are grasped, that would amount to getting at the central theme of the correspondence.

3. The next step will be to notice how each Government or authority approach the subject and what agreements or disagreements are there among the various authorities.

4. In the original letters and minutes there may be elaborate explanations and amplifications of essential points, but it is for you to understand them at a glance and not to press every aspect of them into your Precis.

5. Observe how the line of thought starts with the Taxation Committee recommending an extension or probate duties, proceeds through the Government of India inviting the views of the Provincial Governments and expressing their own views on the proposal, passes on to the Government of Bombay consulting their Judicial officers and transmitting their views, and ends with the clarification of the question of Legislation.

Thus **comprehension without omission** should characterize your Precis.

II. DRAFT

GOVERNMENT OF BOMBAY

Ministry of Finance

No.....

From

The Secretary to the Government of Bombay,
Ministry of Finance, Bombay.

To

The Secretary to Government of India.
Ministry of Finance,
New Delhi.

Date.....
Bombay.

(Sub : Probate Duties.)

Sir,

In reply to your letter No. F-3 (XIII) F-27, dated the 28th November, 1927, bearing on the subject of probate duties, **I am to state** that several judicial officers under the control of this Government have been consulted on the main issues of the feasibility of and necessity for universal compulsory representation and whether Legislation should be Central or Provincial. Copies of the replies received from them are forwarded herewith.

2. **I am** of the **opinion** that universal compulsory representation, as proposed by the Taxation Enquiry Committee, by which every inheritor of property should receive legal representation to the estate of the deceased from the court, is not impracticable. On the contrary, it will correct the present system of representation

which is inequitable and wrong, based as it is on race and creed and also remove the anomaly under which the necessity for obtaining probate of will rests only on certain classes and in certain areas. The state of affairs in respect of wills is also anomalous and gives rise to fraudulent proceedings. A system of universal representation would tend to settle titles and discourage speculative litigation. It would save the honest purchaser from the dangers of litigation indulged in by relatives of the deceased under the present circumstances, of ten years after the transfer.

3. In spite of these advantages the system may be unpopular. The chief objection to it would be based on the joint family system in the case of Hindus and the provisions of Mohammedan Law. Moreover, it would entail hardship and unnecessary expense on the poor and ignorant people and render the recovery of such duties difficult.

4. But these difficulties can be obviated if the limit of exemption is placed high. I would suggest that the duty might first be introduced in respect of estates of movable or immovable properties passing upon death of the value of rupees one lakh or over, and gradually extended to representatives of smaller estates by which time the system would be understood by the community.

5. As regards Legislation introducing universal representation, it should be central, though, of course, the scale of duty and other details may be determined by the Provincial Governments in accordance with their financial requirements. The machinery for the collection of the duty should also be under the control of the Provincial Governments.

Yours faithfully,

.....

Secretary,
Ministry of Finance,
Government of Bombay.

Enclosures : Copies of Minutes 1, 2.....

Important point :—

In the second question the lines on which the draft has to be made out, have been suggested. But the sequence of thought there differs from the sequence of thought in the correspondence. In the process of making your draft coherent and lucid, it may be necessary for you to rearrange the original order of thought to suit your own purpose.

NOVEMBER 1949

(Time allowed—3 hours. Maximum Marks—150).

Marks.

I. Prepare a brief precis of the correspondence below. 90

II. Draft a letter from the Auditor-General of India to all Provincial Accountants-General and Controllers embodying the decisions reached in the correspondence and give a suitable endorsement to the Accountant-General. Central Revenues. 60

Extract from the unofficial not to the Finance Department No. 65-Rep./31-35, dated the 27th February, 1935.

2. There is another matter which I take the present opportunity to refer, in order to clarify the position both for the purpose of prescribing the principles of accounts classification and for instructions regarding Appropriation Accounts. It is in connection with Sections 78-80 of the Bill. Clause (2) of the corresponding Section 72-D of the Government of India Act, 1919, runs as follows :

“The estimated annual expenditure and revenue of the province shall be laid in the form of a statement before the council in each year, and the proposals of the Local Government for the appropriation of provincial revenues and other moneys in any year shall be submitted to the vote of the council in the form of demands for grants.”

According to the provisions of this section, it was not essential to show separately the estimated votable and non-votable expenditure in the annual financial statement, and the whole estimated expenditure of the province, whether votable and non-votable, could be shown together against the total revenue of the province. Similarly, in the demands for grants, presented to the Legislature, the detailed estimates under sub-heads and items of the demand include both votable and non-votable expenditure, a distinction being made between the two by having the figures for non-votable expenditure printed in italics. Section 78 (2) of the Bill, however, definitely requires that the estimates of expenditure embodied in the annual financial statement shall show separately (a) the sums required to meet expenditure described by this Act as expenditure charged upon the revenues of the province; and (b) the sum required to meet other expenditure proposed to be made from the revenues of the Province. Again, Section 79 (2) of the Bill states that only so much of the estimates of expenditure as relates to other

expenditure shall be submitted in the form of demands for grants, to the Legislative Assembly. The reading of these sections suggests the conclusion, that under the new constitution, it will not be possible to continue the existing form of demands for grants as described above. Consequently, the Appropriation Accounts will not continue to be prepared in the same manner as laid down in paragraph 43 of Appendix 16 to the Audit Code, 2nd Edition (Revised), and it will be necessary to prepare separate accounts for expenditure charges upon the revenues of the Province similar to the accounts of issues for services charged directly on the Consolidated Fund in the United Kingdom, mentioned in Section 21 of the Exchequer and Audit Department Act, 1866. The decision reached in connection with Section 78 will also be applicable to Section 33. I shall be glad if the views of the Reforms Office could be obtained on this point.

Extract from notes in the Government of India file in continuation of this office unofficial note to the Finance Department, dated the 27th February, 1935.

(Notes in the Reforms Office.)

Paragraph 2.—The assumption made by the Auditor-General seems correct. In this connection please see paragraph 148 of the Joint Parliamentary Committees Report. (8-4-35.)

3. I agree that the effect of Clauses 78 and 79 is to require an alteration in the existing form of demands of grants. I presume that the effect on the system of accounts is that described by the Auditor-General, but I think that the Bill leaves a decision of that question to be taken on practical grounds. (12-4-35.)

(Notes in the Finance Department.)

4. The Auditor-General will prepare material for a reference to the Legislative Department regarding the changes that may be necessitated in the form of the estimates and of the accounts by the use of the word "separately" in Clauses 33 and 78, explaining the implications of a complete separation of the voted and non-voted expenditure. (7-5-35.)

Extract of note received with the Finance Department unofficial note, No. 69-Ref., dated the 14th June, 1935.

Clause 33.—The word "separately" is important. It implies that the present scheme of heads of account must be revised. "Charged" expenditure must be estimated and charged separately from other expenditure, and capital from revenue expenditure. The Auditor-General has this matter in hand. (This also covers Clause 78).

The budget for defence, ecclesiastical and external affairs will not be voted. (*Vide* note on Clause 15 and Article XIX of the Governor-General's instructions.)

Clause 35.—The form of schedule of authorised expenditure will depend on the form of the estimates and accounts settled under Clause 33.

Serial No. 1.—Unofficial note to the Finance Department, No. 23-Ref. 15-35, dated the 20th June, 1935.

A reference is invited to paragraph 2 of the Auditor-General's unofficial note No. 65-Rep./31-55, the 27th February, 1935, and to paragraph 4 of the Financial Secretary's note, dated the 7th May, 1935, sent under Finance Department's unofficial No.4108-F dated the 7th May, 1935(correspondence pages 1-2),which touched on the changes that may be rendered necessary in the form of the estimates and of the accounts by the use of the word "separately" in Clauses 33 (2) and 78 (2) of the Government of India Bill and the implications of a complete separation of voted, and non-voted expenditure. The Auditor-General has examined this question further and the views which he has formed are stated below.

2. The main provisions in the present Act governing the classification of votable and non-votable expenditure are those contained in Sections 67-A and 72-D. A comparative study of these provisions with the corresponding provisions in Clauses 33—35 and 78—80 of the Bill shows, that while the intention of the present Act and the new Bill in this connection is substantially the same, the wording of Clauses 33 (4) 34 (2) and 78 (2)and79(2) of the Bill seems to suggest that the intention of the drafts of the Bill is that the non-votable expenditure should be segregated entirely. This impression is strengthened by reference to paragraph 148 of the Joint Select Committee's Report. Apparently the Committee without appreciating the existing system in India and influenced strongly by the practice relating to the Consolidated Fund charges considered that something like the procedure for dealing with these charges in the United Kingdom could be introduced in India.

3. The characteristic feature of the Consolidated Fund Services of the English financial system is that the expenditure relating to these Services, which are of the nature of permanent and continuing appropriations, is neither included in the estimates annually presented to Parliament nor in the accounts of the Appropriations of the supply grants comprised in the Appropriation Act. Thus

the estimates themselves the documents accompanying them, and the appropriation accounts submitted to the House with the Report of the Comptroller and Auditor-General on the audited expenditure for the year do not make a complete presentation of the estimated or actual expenditure either on a particular service or on all Government services but deal only with such expenditure for which supplies are voted by Parliament. Moreover, there seems to be no consistent principle rigidly observed in determining what items of expenditure shall be treated as Consolidated Fund Services and what as Supply Services, as charges of precisely the same character as those charged directly upon the Consolidated Fund are sometimes provided for under Supply Services. The system is not only defective from the point of view of correct accounting, but is open to the criticism that the estimates and the accounts fail to give an adequate representation of the public expenditure and that great difficulties are thrown in the way of Parliament and the public in determining the total expenditure entailed in the conduct of certain operations or of certain services of the Government.

4. The Indian procedure in regard to the treatment of non-votable expenditure, referred to in the Bill as expenditure charge upon the revenues of the Federation and of the Provinces, differs materially from the British in that the annual financial statement submitted to the legislature shows the total estimated expenditure of Government, both votable and non-votable classified by major heads, each of which is intended to record as far as possible the whole of the expenditure directly attributable to a service or a department. In the same way, the demands for grants include the entire estimated expenditure on a service or department, both votable and non-votable, though both in the statement of the demand as well as in the detailed estimates the votable expenditure is shown distinctly from non-votable. In the accounts also, though the non-voted expenditure if shown separately from the voted expenditure, the total expenditure relating to a particular service is recorded in one place against the relevant major head of account and grant. A distinct advantage of the present system consists in the facility it affords in dealing with the accounts as a complete whole, which is not attainable in the British system. There seems no good reason for modifying on the lines of the British procedure a system which is suited to Indian conditions and which has worked well in practice. It is worthwhile to note that while some items of the non-votable expenditure in India correspond fairly closely to Consolidated Fund charges in the United Kingdom a large proportion of such expenditure does not so correspond. At the same time, the volume of non-votable expenditure connected with the various services is so considerable, that it is highly desirable on practical grounds that it

should be appropriately recorded under the services concerned in order to give a complete picture of the total expenditure on a particular service.

5. Although the Auditor-General's previous note to the Government of India on this subject was based upon the impression that the effect of Clauses 78 and 79 (as also of 33 and 34) of the Bill was to require a change in the Demands for grants, after a more detailed consideration of the problem, both in its constitutional and technical aspects, the Auditor-General is inclined to hold that, subject to necessary modification and adaptations to conform to the provisions of the new Act, the budget estimates may continue to be presented in substantially the same form as at present. Compliance with Clauses 33 (2) and 78 (2) of the Bill would require the estimates of expenditure embodied in the annual financial statement to be presented so as to show the estimates of non-votable expenditure separately from those of the votable expenditure. This can be achieved by adopting *mutatis mutandis* the form of statements C and D of the Bombay Budget for 1935-36, in which the total expenditure relating to each major head of account is distributed in separate columns between votable and non-votable. The demands for grants may also continue to be prepared in the form in which they are now prepared by the Central Government and, if necessary, it can be expanded, so that the figures of non-votable expenditure instead of appearing in the same column with "voted expenditure", may be exhibited in separate columns working up to separate details and totals. This procedure, while not affecting the form of estimates and accounts to any appreciable extent, would enable the provisions of Clauses 33-35 and 78-80 of the Bill to be applied in full and would not apparently conflict with any of the provisions of the new Bill. The question will not affect the Government of India so long as the transitional constitution under Part XIII of the Bill remains in force. As the question involves an interpretation of legal provisions contained in the Bill, the views of the Legislative Department may be obtained in the first instance.

6. A corollary of the existing procedure is that the Accountant-General prepares the Appropriation Accounts of voted and non-voted expenditure together and reports on them, and that the Committee on Public Accounts examines the accounts of voted and non-voted expenditure to exactly the same extent. For example, it has been recognised for some years now that the Public Accounts Committee has as much constitutional right to examine the Appropriation Accounts of Defence Services as any other Appropriation Accounts. The procedure under which the Defence Accounts are subjected to a preliminary examination by a sub-committee results in these accounts being more intensely examined.

than the other accounts. The important question has to be considered whether the existing procedure is to continue or whether it is to be remodelled according to the British procedure. As already pointed out in these notes, the constitutional theory of permanent appropriations in the United Kingdom does not require the expenditure represented by Consolidated Fund charges to be voted annually by Parliament, nor to be included in the Appropriation Accounts of the several Supply Grants which are annually laid before Parliament with the report of the Comptroller and Auditor-General. The audited account in relation to expenditure for services charged directly upon the Consolidated Fund, which is required to be laid before the Parliament, is merely a statement of Exchequer issues not prepared in the same detail as the appropriation accounts for Supply Services. One cannot read the provisions of Sections 21 and 22 of the Exchequer and Audit Act, 1866, without being impressed with a feeling that the English procedure in so far as it operates to remove the non-votable charges from the purview of the appropriation accounts is not an ideal arrangement based on logical or sound principles of accounting and control. It is noted, however, the Consolidated Fund charges of the United Kingdom after leaving out the issues for the expenditure of Special Consolidated Fund Services, such as National Debt Services, Road Fund, etc., constitute a very small fraction of expenditure on Supply Services which is presented to the Committee on Public Accounts through the Appropriation Accounts. For example, during the financial year 1933-34, the total expenditure on Supply Services was £ 518,000,000, while the expenditure on other Consolidated Fund Service, which may be said to be connected with services represented by "votes", was £ 4,084,073 only, or less than 1 per cent. In India, the Demands for Grants of the Central Government for the year 1934-35 will show that against a total voted expenditure of Rs. 36,00,45,000 under the various grants the non-voted expenditure included in those grants only *i.e.*, after eliminating the wholly non-voted appropriations relating to "Ecclesiastical", "Political" and "Defence Services", etc., amounted to Rs. 22,53,40,000, and even after excluding the non-voted items under grants 25 and 26 (Interest on Ordinary Debt, Reduction or Avoidance of Debt and Interest on Miscellaneous Obligations) the amount of non-votable expenditure included in the composite grants was Rs. 9,96,68,000 or more than 25 per cent. of the voted expenditure. The financial practice in India is based on the constitutional requirement of having specific appropriation for all expenditure, whether votable or non-votable and the practice has been placed upon a definite legal basis by the authentication procedure provided in Clauses 35 and 80 of the new Bill. Given these conditions, the Indian Appropriation Accounts can show no approximation to the English model and these accounts ought to take cognisance of all expendi-

ture, whether votable or non-votable. As there is little difference in character between most of the voted and non-voted items provided in the Indian budget, it has been considered more expedient both from the point of sound account-keeping as well as efficient control that the total expenditure connected with a grant whether votable, or non-votable, should be brought together in a single Appropriation Account in order that these accounts may be presented in a compact and intelligible form. Experience has shown that the presentation of non-votable expenditure in the Appropriation Accounts and its examination by the Public Accounts Committee in much the same manner as votable expenditure has been useful and has contributed very largely towards the attainment of a high standard of efficiency in financial administration and control all over India.

Assuming that the proportion of non-voted expenditure to voted expenditure will not be materially affected under the provisions of the new Act, the figures given above clearly indicate that it would be unfortunate financially and probably the cause of strong political objection if, following the British system, so large a portion of public expenditure is not included in the Appropriation Accounts and is thereby removed from the purview of the examination of the Public Accounts Committees which, during the existing constitution has led to good results both financial and political. Apart from Railway expenditure, the total amount of non-votable expenditure of the Central Government at present examined by the Public Accounts Committee which would be withheld from such examination in future would be roughly Rs. 76 crores out of an aggregate expenditure of roughly 112 crores. In the opinion of the Auditor-General, any such recession from the present position would be most undesirable.

7. It is important that an early decision should be reached on the issues raised in this note. The essential issues are—(1) whether, subject to such modifications and adaptations as may be necessary to meet the requirements of Clauses 33-35 and 78-80 of the Government of India Bill, the annual financial statement and the demands for grants shall be retained in substantially the same form as at present, (2) whether Appropriation Accounts of non-votable expenditure shall be prepared, (3) whether such accounts shall be examined by the Public Accounts Committee, and (4) whether in any case there shall be prepared separate Appropriation Accounts of votable and non-votable expenditure, respectively.

The Auditor-General is anxious that the position as regards these issues should be clarified as soon as possible in order that they may take up a review of the accounts classification and the drafting of rules regarding preparation of Appropriation Accounts and Reports and their submission to the proper authority.

Serial No. 2.—Demi-official letter from Sir Ernest Burdon, to the Hon'ble Sir James Grigg, K.C.B., No. T. 501-Ref/15-35, dated the 20th June, 1935.

If you can spare time to glance through the enclosed copy of a reference I am making officially to the Finance Department, I think it will interest you. Paragraph 6, particularly the concluding portion of it, will show what "Back Waters" may be involved in this new progressive Government of India Bill.

Extract of notes in Government of India file in continuation of this office unofficial note No. 23-Ref./15 35, dated the 20th June, 1935.

(Notes in the Reforms Offices.)

In point of fact proposals to model the provisions of the Act in regard to financial procedure upon Dominion precedents (appropriation by legislation) or upon British practice were definitely rejected in discussions in the India Office. The intention was to disturb existing practice as little as possible. That intention is clear from the passages of the Joint Select Committee's Report which Under-Secretary has quoted, and from the form and scope of the provisions in the Act.

2. The Hon'ble Finance Member has enquired in his minute of 21st June, 1935, whether there was any intention to give non-voted expenditure the complete immunity which British expenditure placed on the Consolidated Fund enjoys, by removing it from the scrutiny of the legislature.

The present practice in India for the audit and scrutiny (by the *ad hoc* committee and the Public Accounts Committee) of non-voted expenditure was repeatedly discussed and well understood in the India Office when the Bill was drafted. There was no intention to change it.

The Act clearly adopts the same attitude. Such expenditure comes under general discussion (Section 34). Whatever may at the outset be done by Order in Council or rules thereunder, the Federal Legislature has a plenary power (after previous sanction) to determine by legislation the scope of audit (Section 166, subsection 3), compare also Section 170 (3). The reports of the Auditor-General must be laid before the Legislature. (Section 169).

All that is denied to the Legislature is the power to grant or withhold monies required for certain purposes.

3. I agree with the conclusions which Finance Secretary has reached except that I think a complete divorce of voted and non-voted into separate statements is not only unnecessary but illegal (Section 33, 21-8-35).

(Notes in the Legislative Department)

It is quite clear from the language used in sub-sections (1) and (2) of Sections 33 and 78 that the two categories of sums required by sub-section (2) to be shown separately must both be included in one and the same financial statement. I agree, therefore, with the conclusion reached in Finance Secretary's note as qualified in paragraph 3 of the Reforms Commissioner's note.

2. It is also quite clear that the references in Section 160 to the accounts of the Federation and the accounts of a Province embrace accounts of both the categories of sums specified in sub-section (2) of Sections 33 and 78.

3. The Auditor General and the Finance Department are doubtless seized of the point made in the opening sentences of paragraph 2 of Mr. Menon's note. (3-9-35.)

(Notes in the Finance Department.)

Of the four points raised by the Auditor-General and summed up in paragraph 7 of his note, dated the 20th June, 1935, the answer to the first two is then in the affirmative. Both the Reforms Officer and the Legislative Department agree with Secretary that a complete divorce of voted and non-voted into separate statements is unnecessary; they consider that it is illegal also. A decision now remains to be reached on the other two points dealt with in paragraph 4 of Secretary's note.

You asked me this afternoon about this case and I therefore send it to you at once to see.

2. Of the four questions put in paragraph 7 of your note, the answers to (1) and (2) are in the affirmative. On the return of the file I will take orders on (3) and (4) and communicate them to you shortly. (19-9-35.)

Auditor General.

Serial No. 3—Unofficial note from the Finance Department, No. 8698-F, dated the 13th November, 1935.

The four points raised by the Auditor-General on this file are stated in paragraph 7 of his note (Serial No. 1). They are:—

- (1) Whether, subject to such modifications and adaptations as may be necessary to meet the requirements of Sections 33 to 35 and 78 to 80 of the Government of India Act, the annual financial statement and the demands for grants shall be retained substantially in the same form as at present.
- (2) Whether appropriation accounts of non-votable expenditure shall be prepared.
- (3) Whether such accounts shall be examined by the Public Accounts Committee.

4. Whether in any case there shall be prepared separate appropriation accounts of votable and non-votable expenditure respectively.

2. As regards (1), it has been settled that the present form of the Central budget statement and demands for grants may be retained with a slight modification in the form of the budget statement so as to show votable and non-votable items separately.

3. As regards (2), it is agreed that Section 169 of the Act requires the Auditor-General to prepare appropriation accounts of non-votable expenditure also and to submit them to the Governor-General, who shall cause them to be laid before the Federal legislature. This does not apply to account relating to the discharge of the functions of the Crown in its relation with India States. The report on these accounts is not submitted to the Governor-General but to the Secretary of State (*vide* Section 171).

4. As regards (3), please see Notes in Reforms Office dated the 21st August, 1935. It appears from that note that the intention clearly was that the appropriation accounts of the non-voted expenditure should also be examined by the Public Accounts Committee.

5. As regards (4), in the reports on voted as well as non-voted expenditure are to be examined by the Public Accounts Committee, there is no reason why separate reports be prepared for voted and non-voted. So long as the demands for grants continue in the present form and show both voted and non-voted expenditure, the appropriation accounts may also be prepared in the same form, that is, the existing form. (6-11-35.)

The question for Honourable Member's orders in this case is whether the appropriation accounts on non-votable expenditure are to be submitted to the Public Accounts Committee; with the appropriation accounts must ordinarily be the Auditor-General's appropriation report on them.

2. Under Section 169, the appropriation accounts on Reserved subjects have to be submitted to the Legislature, and this, I should hold, connotes the Legislature's committee for the purpose, *viz.*, the Public Accounts Committee.

3. At present, we have three classes of non-votable expenditure so far as the appropriation accounts are concerned, *viz.* :—

- (a) Military, which is examined by an *ad-hoc* committee, which reports to the Public Accounts Committee which reports to the Legislature.

(b) Foreign and Political, which is dealt with direct by the Public Accounts Committee.

(c) Other non-votable expenditure which is also dealt with direct by the Public Accounts Committee.

Questions of policy are not permitted to be raised in regard to (a) and (b).

4. The appropriations for non-votable expenditure are at present open to discussion at the budget stage under the discretion actually given by the Governor-General under Section 67-A (3). Under the new constitution such appropriations except for Crown subjects and for the Governor-General's pay, etc., *vide* Section 33 (3) (a) of the Act) will be open to discussion without discretion (although not to vote), and I see nothing to prevent the discussion covering policy. With this liberalisation at the budget stage, there can be no deliberation at the appropriation accounts stage. Apart from this, the value of the privilege of discussion at the budget stage would be illusory if the Legislature did not see how eventually the money was spent. The military, say, could put up innocuous estimates and spend wildly differently.

5. The position is different at home where sums charged to the Consolidated Fund do not come under discussion at budget time.

6. I therefore agree with the conclusions come to by others on this file that, speaking generally, the appropriation accounts and the appropriation report on non-votable appropriations should go to the Public Accounts Committee. If so, separate appropriation accounts for non-votable expenditure would not be prepared.

7. There are, however, exceptions. For the Federal Government, the appropriation account, so far as Crown subjects are concerned, will be one expenditure figure against one lump sum appropriation—although there may be another figure if money is to be lent to an Indian State in a particular year. There will be no appropriation report on this single sum appropriation. The regular appropriation report against the details of this sum will be submitted to the Secretary of State through the Crown Representative (*vide* Section 171 of the Act.). The Auditor-General should not in practice comment in his appropriation report on the salary of the Governor-General, etc. If he wishes to comment on this item, he should do so separately.

The Auditor-General may see. (12-11-35.)

Serial No. 4—Endorsement No. D. 10427-F, dated the 14th December, 1935, from the Finance Department, forwarding

a copy of their letter to the Financial Secretaries of all provincial Governments, No. D. 10427-F, dated the 14th December, 1935.

Copy of letter from the Finance Department to the Financial Secretaries of all Provincial Governments, No. 10427-F, dated the 14th December, 1935.

I am directed to invite a reference to Sections 78-80 of the Government of India Act, 1935, which relate to the form in which the estimates relating to the receipts and expenditure of the various Provinces shall be prepared and laid before the Legislatures under the new constitution, and to say that the point was considered by the Government of India in connection with the interpretation of Sections 33-35 of the Act, which impose a similar duty on the Central Government in regard to statements of receipts and expenditure of the Federation. It has been decided that as long as votable and non-votable items are clearly distinguished, there is no contemplation that these should be presented in separate statements. Consequently, the present form of the Government of India Demands for Grants will stand substantially although votable and non-votable items will have to be distinguished in the Budget statement as laid before the Indian Legislature. So far as the Central Government are concerned, therefore, the two categories of sums required by sub-section (2) of Section 33 of the Government of India Act, 1935, to be shown separately will be so shown, but will be included in one and the same financial statement. Similarly, in the appropriation accounts votable as well as non-votable items of expenditure will be shown separately but in the same document as at present.

**ANSWER TO S. A. E. QUESTION PAPER
NOVEMBER 1949**

I. PRECIS.

**Subject : Decisions regarding separate Appropriation
Accounts of votable and non-votable expenditure.**

The Auditor-General, in his unofficial note to the Finance Department No. 65-Ref/31-35, dated the 27th February, 1935, **reviewing comparatively** the provisions of Section 72-D of the Government of India Act 1919 and Section 78 (2) and 79 (2) of the new India Bill relating to the preparation of annual financial statement, **was tempted to think** that under the new constitution, the existing form of demands for grants required a change in the direction of preparing separate accounts for expenditure charged upon the revenues of the province, something similar to the accounts of issues for services charged directly on the consolidated Fund in the United Kingdom. **With a view to clarify** the position for purposes of accounts classification and instructions regarding Appropriation Accounts, he invited the views of the Reforms Office, the Legislative and the Finance Departments. -

2. The Reforms Office under Note dated the 12th April 1935 and the Finance Department under Note dated the 7th May, 1935 **agreed with the assumption** of the Auditor-General that a revision in the present scheme of heads of account might be necessary ; but the Finance Department desired the Auditor-General to prepare material for a reference to the Legislative department, explaining the implications of a complete separation of voted from non-voted expenditure.

3. Accordingly, the Auditor-General examined this question further and expressed his views in his unofficial Note to the Finance Department, No. 23—Ref. 15-35 dated the 20th June, 1935. He observed that although the intention of the 1919 Act and the New Bill in their relevant sections was mostly the same, the wording of the clauses 33-35 and 78-80 of the Bill seemed to suggest an [entire segregation of the non-votable expenditure. This impression was strengthened by reference to paragraph 148 of the Report of the Joint Select Committee, who, without appreciating the present system in India, were influenced strongly by the practice relating to the Consolidated Fund Charges in the United Kingdom to introduce something like the English procedure in India.

4. The English financial system was defective in respect of correct account-keeping and also open to the criticism that Parliament and the Public could not have a complete picture of the public expenditure. The expenditure relating to the Consolidated Fund Services was neither included in the annual estimates

presented to Parliament nor in the accounts of the appropriations of the supply grants, comprised in the Appropriation Act. Moreover, there seemed to be no consistent principle rigidly observed in determining what items of expenditure should be treated as Consolidated Fund Services and what as Supply Services. The Indian procedure, on the contrary, was far better understandable, the annual financial statement placed before the Legislature showing the entire expenditure clarified by major heads. Similarly the demands for grants included the entire estimated expenditure on a service or department, both votable and non-votable, of course, shown separately in the same statement. In the accounts also the same method was observed. The Indian system, therefore, commended itself on the strength of its facility in accounting, on its being suited to Indian conditions, and on its having worked well in practice.

5. Consequently there was no good reason for modifying the Indian system on the lines of the British procedure. The Auditor-General, after a close examination of the problem, held that subject to necessary modifications and adaptations, the budget estimates might be presented in substantively the same form as at present, and that Compliance with Clauses 33 (2) and 78 (2) of the Bill would require the estimates of votable and non-votable expenditure to be shown separately in the annual financial statement. This could be achieved by adopting with due changes the form of statements C and D of the Bombay Budget for 1935-36 in which the total expenditure under each major head of account was distributed in separate columns between votable and non-votable. The demands for grants might be prepared by the Central Government in the same old way with a slight change to the effect that the figures of non-votable expenditure might be shown in separate columns working up to separate details and totals. This procedure, while leaving the form of estimates and accounts virtually the same, would also help in complying with the relevant clause of the New Bill. A result of the existing procedure was that the Accountant-General prepared the Appropriation Accounts of voted and non-voted expenditure together and reported on them, and the Public Accounts Committee examined them intensely.

6. While the English procedure of removing the non-votable charges from the purview of the appropriation accounts was prejudicial to sound principles of accounting and control, the Indian financial practice was based on the constitutional requirement of having specific appropriation for all expenditure and placed upon a definite legal basis by the authentication procedure provided in Clauses 35 and 80 of the New Bill. As there was little difference in character between most of the voted and non-voted items in the Indian Budget, it had been

considered most expedient in point of sound account-keeping and efficient control that the total expenditure connected with a grant should be brought together in a single appropriation account so that these accounts might take a compact and intelligible form. Experience had proved the high standard of efficiency in financial administration and control all over India, any so, and recession from the position would be most undesirable in the opinion of the Auditor-General.

7. It was imperative, therefore, to reach an early decision on the main issues of the problem : (1) Whether, subject to such modifications and adaptations necessary to meet the requirement of Clauses 33—35 and 78—80 of the New Bill, the annual financial statement and the demand for grants should be retained in substantially the same form as at present, (2) Whether Appropriation Accounts, of non-votable expenditure should be prepared; (3) Whether such accounts should be examined by the Public Accounts Committee; and (4) Whether separate Appropriation Accounts of votable and non-votable expenditure should be prepared.

8. Invited to express their opinions, the Reforms Office, the Legislative and the Finance Departments in their notes dated 21-8-35, 3-9-35 and 19-9-35 respectively, stated that a complete divorce of voted and non-voted into separate statements was both unnecessary and illegal. The Reforms Commissioner pointed out that the framers of the New Bill at the India House had no intention of changing the present practice in India, and that according to the Act, the Federal Legislature had a plenary power (after previous sanction) to determine by legislation the scope of Audit. The Legislative Department observed with reference to Sections 33 and 78 that the two categories of sums to be shown separately, must both be included in one and the same financial statement.

9. The Finance Department in their Unofficial Note No. 8698-F/dated the 13th November 1935 clarified the four points raised by the Auditor-General saying that the present form of central Budget statement and demands for grants might be retained showing votable and non-votable items separately; that it was agreed that Section 169 of the Act required the Auditor-General to prepare appropriation accounts of non-votable expenditure also and to submit them to the Governor-General who would cause them to be laid before the Federal Legislature; that the appropriation accounts of the non-votable expenditure should also be examined by the Public Accounts Committee; and that there was no need for separate reports as the Public Accounts Committee could examine all expenditure. He pointed out, however, that there would be no appropriation report on the account relating to crown subjects, and that the Auditor-General should not in

practice comment in his report on the salary of the Governor-General etc.

10. In their Endorsement No. D. 10427/F dated the 14th December, 1935 forwarding a copy of their letter to all Provincial Finance Secretaries, the Finance Department **summed up** the position stating that while the votable and non-votable items were clearly distinguished there was no need for separate financial statements, that the present form of Government of India Demands for grants would stand, of course with the two items distinguished in the Budget statement, and that in the appropriation accounts also the two forms of expenditure would be shown separately in the same document as at present.

IMPORTANT POINTS TO BE NOTED

1. The Auditor-General's first serial relates to certain provisions in the Act and in the Bill.
2. The Reform offices and the Finance Department agreeing with the assumption of the Auditor-General.
3. The Auditor-General's further examination of the question:—
 - (a) Though the intention of the Act and the Bill was mostly the same, the wording of certain clauses in the Bill seemed to suggest an entire segregation of the non-votable expenditure.
 - (b) The weakness in the English finance system contrasted with the merits of the Indian finance system.
 - (c) The budget estimate to be presented in substantially the same form as at present, the votable and non-votable expenditure being shown separately in the same financial statement.
 - (d) The compact and intelligible form of Indian accounting as contrasted with the English principles of accounting and control.
 - (e) Clarification sought on financial statement, preparation of Appropriation Accounts of non-votable expenditure, examination of such accounts by the Public Accounts Committee, and the need or otherwise of separate Appropriation Accounts.
4. The Reforms, the Legislative and the Finance Departments looking on a clean divorce of voted and non-voted into separate statement, as both unnecessary and illegal.
5. The Finance Department's clarification of the four points raised by the Auditor-General, and their conclusions.

II. DRAFT

**Office of the Auditor-General,
New Delhi.**

No.

Dated.....

From

**The Auditor-General,
Government of India,
New Delhi.**

To

**The Accountants-General and Comptrollers
Madras, Bombay etc.**

**Subject :—Decisions regarding separate Appropriation Accounts
of votable and non-votable expenditure.**

Sir,

I am to invite a reference to the Extract from the unofficial note to the Finance Department No. 65—Ref/31-35, dated the 27th February, 1935 as well as to the unofficial Note to the Finance Department. No. 23-Ref/15-35, dated the 20th January, 1935, which touched on the changes that may be rendered necessary in the form of the estimates and of the accounts by the use of the word "separately" in Clauses 33 (2) and 78 (2) of the Government of India Bill and the implications of a complete separation of voted and non-voted expenditure, and to state that the questions was further examined by me in consultation with the Reforms officer, the Legislative Department and the Finance Department with a view to reach definite decisions on the problem.

2. Although the intention of the 1919 Act and the New Bill in their relevant sections is mostly the same, the wording of the Clauses 33-35 and 78-80 of the Bill seems to suggest an entire segregation of the non-votable expenditure. The impression is strengthened by reference to paragraph 148 of the Report of the Joint Select Committee, who apparently without appreciating the existing system in India and influenced strongly by the practice relating to the consolidated Fund Charges considered that something like the English procedure for dealing with these charges could be introduced in India.

3. The expenditure relating to the consolidated Fund Services is neither included in the annual estimates presented to Parliament nor in the accounts of the appropriations of the supply grants, comprised in the Appropriation Act. Moreover, there seems to be no consistent principle rightly observed in determining what items of expenditure should be treated as Consolidated Fund Services and what as Supply Services. The Indian procedure, on the contrary, is far better understandable, the annual financial statement placed before the legislature showing the entire expenditure, voted and non-voted classified by major heads. The same principle holds good in regard to demands for grants and the facility in accounting and working well in practice, there is no good reason for modifying it on the lines of the British procedure.

4. I would, therefore, hold that subject to necessary modifications and adaptations the budget estimates may be presented in substantially the same form as at present, and that compliance with Clauses 33 (2) and 78 (2) of the Bill will require the estimates of votable and non-votable expenditure to be shown separately in the annual financial statement. This can be achieved by adopting with due changes the form of statements C and D of the Bombay Budget for 1935-36 in which the total expenditure under each major head of account is distributed in separate columns between votable and non-votable items. The demands for grants may be prepared by the Central Government in the same old way but with a slight change to the effect that the figures of non-votable expenditure may be shown in separate columns working up to separate details and totals. This procedure, while leaving the form of estimates and accounts virtually the same, will also help in complying with the relevant clauses of the Bill. It has been considered most expedient that in view of sound accounting and efficient control the total expenditure connected with a grant should be brought together in a single Appropriation Account so that the accounts may take a compact and intelligible form.

5. The Reforms Office, the Legislative and the Finance Departments have expressed almost a choric opinion that a complete divorce of voted and non-voted expenditure into separate statements is both unnecessary and illegal. The Finance Department have stated that the present form of Central Budget statement and demands for grants may be retained, that Appropriation Accounts of non-votable expenditure also shall be prepared, that the Public Accounts Committee shall examine them, and that there seems to be no need for separate reports.

6. Summing up the position I am to state that while the votable and non-votable items are clearly distinguished there is no need for separate financial statements. The present form of Government of India Demands for grants will stand, of course,

with the two items distinguished in the Budget statement, and in the Appropriation Accounts also, the two forms of expenditure will be shown separately in the same document as at present.

Yours faithfully,

(Sd.).....

Auditor-General,
Government of India.
New Delhi.

No.....

Dated, New Delhi.....

Copy forwarded to the Accountant-General, Central Revenues, for information.

2. A reference is invited to Section 171 of the Government of India Act 1935, which indicates that the accounts relating to the discharge of the functions of the Crown in its relation with Indian States shall be audited by the Auditor-General of India and that the Auditor-General's report on these accounts shall be submitted to the Secretary of State. It follows, therefore, that the Appropriation Accounts of the Crown Representative should be prepared separately from the accounts of other non-votable expenditure.

(Sd.).....

Auditor-General.

Note.—This endorsement to the Accountant-General, Central Revenues, should clearly bring out his special responsibilities. The epithet "Suitable endorsement" in the question is a caution to the candidates to be wakeful.

IMPORTANT POINTS TO BE NOTED

1. Inviting a reference to relevant notes and stating the critical examination of the question.
2. A surface impression of the clauses 33-35 and 78-80 of the Bill.
3. A comparative account of the English and Indian financial system.
4. Decisions on the subject.
5. The added strength of those decisions from other offices.
6. Position summed up.

S. A. E.
MAY 1950

Time allowed—3 hours.]

[Full Marks—150

Marks

I. Below are given extracts from the Proceedings of the Railway Board on the subject of Financing Branch Lines. Give a concise summary of the proceedings, indicating clearly the arguments for a change in policy and the principal features of the new policy.

90

II. Draft a letter from the Secretary, Railway Department, Railway Board to Secretaries of the P. W. Departments of Local Governments in terms of the Hon'ble Member's minute of 19th September, 1923, at the end of the proceedings, inviting the concurrence of Local Governments to the new proposals. The draft should, *inter-alia*, bring out the following points :—

- (i) The Railway Board are in full accord with the views of the Acworth Committee regarding Branch Line Companies. The criticisms of the Committee have gained added force owing to the heavy increase in operating costs which have made the usual Branch Line terms no longer acceptable.
- (ii) Branch Line Companies are no longer able to secure additional capital.
- (iii) The Inchcape Committee recommended that railways should be constructed and worked on a commercial and remunerative basis.

60

S. N. I. Extracts from the Memorandum by the Financial Commissioner, Railways.

Branch and Feeder Lines are constructed under an agreement by which the State guarantees a minimum return on the capital, or alternatively, undertakes that the line shall receive, out of the earnings of the main line from traffic contributed by the branch, such a sum, known as a rebate, as will make up the

total earnings of the branch to a given sum, while the branch in each case shares with the main line any profits exceeding the guaranteed minimum.

2. This method of encouraging the construction of lines originated 30 years ago simply because the Government of India was unable to furnish the necessary capital.

3. The Acworth Committee pointed out that this method, while enabling lines to be built which would otherwise not have been built, has no other merit. The financial terms usual before the war are now quite inadequate, and if the system is to continue, they will have to be revised. All the witnesses before the Committee who asked for a revision of the terms admitted that, if the main lines were in a position to build a given branch itself, they would prefer that it should be done by the main line rather than that it should be done as a separate undertaking.

4. Amongst the disadvantages pointed out by the Committee are the following :—

- (i) The Branch Line Company is usually a fifth wheel to the coach. It implies in some cases a separate construction staff; it always implies a separate Board of Directors, and separate accounts.
- (ii) Where the branch is worked by the main line, if its Directors feel that the management is unsatisfactory, they not only make representations to the main line administration, but in the last resort can appeal to the Railway Board, which does not make for harmony.
- (iii) Capital raised by a small private undertaking, even with a Government guarantee, will cost more than money raised by the state.
- (iv) Inconceivable confusion results from the multiplication of independent Railway Companies—each Company, small or great, desires to reserve for itself a separate sphere of influence; and jealously demands that, if any new-comer intrudes into that sphere, he shall pay toll to the original concessionaire. This only complicates a situation which ought to be considered solely from the point of view of the public interest. New proposals for the extension or connection of lines by small independent companies are either refused owing to protests by the old company or only permitted on a basis of elaborate accounting between the new company and the old for the profits which hypothetically would have belonged to the old line, if the new one had not been opened.

5. The only arguments urged in favour of the Branch Line Companies were:—

- (i) That money had been raised which the Government of India was unable to furnish.
- (ii) That a claim was made that the Branch Line Company obtained from local sources money that would never be subscribed to a Government loan.
- (iii) That there may be cases of a Branch Line of smaller gauge worked independently, which the Branch Line Company can operate more economically than a main line.

6. The Acworth Committee, therefore, so far from approving of this system considered that the aim of the Government should be to reduce by amalgamation the number of existing companies and that it should only be in cases where the State cannot or will not provide adequate funds that private enterprise in this direction should be encouraged.

7. The disadvantages pointed out by the Acworth Committee require to be even further amplified. The existing Branch Line Companies have ceased for some time to raise additional capital for capital requirements. They have either obtained overdrafts from various banks for this purpose at heavy rates of interest or issued debentures at special rates of interest (usually about 7 per cent.) or in several cases asked for money to be advanced to them by the Railway Board. So far, therefore, from reducing the amount that the Government of India have to raise in the open market they are at present increasing that amount.

8. Another serious disadvantage which is not mentioned by the Acworth Committee is that the main line usually works the Feeder or Branch Line for a remuneration which, in most cases, is limited to a maximum of a fixed percentage of the gross earnings of the Branch Line (usually 40 per cent. or 50 per cent.)—terms of remuneration which at present are grossly inadequate. The result of this arrangement is that many of the main lines whose working expenses are from 60 to 80 per cent of the gross earnings are saddled with heavy expenditure which ought to have been debited to Branch Line Companies. Where the Branch Line Companies are “successful,” that is, where the shares stand at a high figure, their profits are inflated owing to their working expenses being thus artificially reduced. Where such a Branch Line Company declares a dividend of 12 per cent. its dividend might be anything from 4 to 6 per cent. if it were to meet the proper share of its working expenses. Again, where in the case of less “prosperous” Branch Line Companies, the Government has to make a direct subsidy in order to make up the guaranteed interest on the capital, the amount paid by

way of subsidy does not reveal the true loss of the Government in connection with the Branch Line Company. To this subsidy should be added also the additional loss incurred from the main line working the Branch Line at less than the actual cost. Even this, however, does not give a complete statement of the loss sustained by Government in connection with these Companies. These Companies have been supplied with land free of charge and the cost of such land is not taken into account either in the Capital or the Revenue Accounts of the Compaines concerned.

9. The claim put forward on behalf of the Branch Line Compaines (one of the two arguments in favour of such companies mentioned in the Acworth Committee's report) that it is possible through the agency of such companies to tap sources that cannot be tapped by Government loans, seems to imply that the money put into these companies is provided by people who live in the neighbourhood where the line is to be constructed. It is very doubtful whether this argument is really correct and whether the money does come from such sources. In one recent case the Managing Agents of one of the larger Branch Line Companies, amongst other objections to raising fresh share capital, said that they could assure the Railway Board that the existing shareholders would object to the issue of fresh capital because they (that is, the Managing Agents) themselves held one-third of the shares and another third was held by a bank. Again, in a recent case where the Managing Agents proposed to issue debentures at a rate of about 7 per cent. they said that the whole of the debentures would be taken over by one individual.

10. The only real argument in favour of these Companies is that they must be utilised in cases where the Government itself is unable or declines to raise the necessary amount of capital for new constructions. It is doubtful whether such a position is likely to recur in the future. It is admitted that to use agency of these Companies is a far more expensive method of raising money for the construction of railways than direct Government loans can ever be. The amount of assistance given by Branch Line Companies in the past has been trivial; the total amount of capital raised through the agency of Branch Line Companies has only been about Rs. 10½ crores (*vide* Appendix I)—an amount which in itself is less than the lapse that occurred last year in the provision for capital expenditure in the Railway Budget.

11. The difficulties and complications now experienced in connection with these Branch Line Companies are out of all proportion to the insignificant financial facilities offered by the Companies. It is thought therefore that our Branch line policy should be abandoned and that rather we should make it our endeavour to

reduce the number of the existing Branch Line Companies to as small a limit as possible. If on any occasion the Government of India should be unable to find funds for construction (which is not the case at present), and should it be considered advisable to tap fresh sources for subscription to railway loans by offering terms different from those given to the ordinary Government loans, that is, by offering not only a fixed rate of interest but a share in the profits of a particular Branch Line, there appears to be no particular advantage of using a financial half-way house specially to float a loan on such terms; there appears to be no reason why the Government should not float the loan direct. But it will probably be found sufficient to raise short term debentures at a high rate of interest—to be liquidated when the loan market is favourable—a procedure adopted now by the Branch Line Companies, but at a higher rate of interest that would be necessary for the Government.

18. The above proposals relate to the procedure adopted in the past and the procedure which it is proposed to adopt in the future for the financing of the construction of branch or feeder lines expected to prove remunerative from the point of view of railway earnings only. But there are cases where the Local Governments or local authorities may desire that a line should be constructed, which will not be remunerative on railway earnings and the construction of which is desired by them for purely local reasons on account of the administrative advantages it is likely to confer or for the development of a particular area. It is proposed that in future the Railway Board in such circumstances should have power to arrange for the construction of the line from railway funds if the Local Government or the local authority guarantees the Railway Board against loss. The guarantee would be to the effect that the local authority would make up the difference between the net earnings and the interest and other charges payable. As it is not desirable that the Central Government should make any profit out of such contributions by local authorities, it is also proposed that where contributions have been made by a local authority for this purpose, the repayment of such contributions should be a first charge on any net profits subsequently realised from the line, should the line prove remunerative.

19. The Central Government must, however, retain the power to decide whether a line is to be built or not, and the proposals in the preceding paragraph must not be taken to imply that a Local Government by giving a guarantee can require the Railway Board to construct a line. Proposals of a Local Government might run counter to the general railway policy or might take the form of short-circuiting railway traffic and so lead to a reduction of receipts from existing lines.

S. No. II. Notes in the Railway Board

* * * *

8. I think it is perfectly clear that except in dire necessity when money cannot otherwise be raised at any rate, branch line companies should not be utilised for raising money—they are nothing but an evil which ought to be avoided as far as possible and the policy of Government with regard to these companies should be to reduce their number as speedily as possible. It is unfair that the Railway Administration should be saddled with the cost of meeting the guaranteed interest on these unremunerative undertakings and should be required to run these branch line companies at a rate which does not represent anything like real expenditure. The cost of floating money through these companies is very great compared with the rate of interest on Government loan, and some simpler form of raising the money should be easily found than this cumbrous agency that has created so many complications and difficulties. It would be cheaper in the long run for the Railway Administration itself to float special debentures at a high rate of interest for a fixed number of years until the market rates come down sufficiently to enable the Government to liquidate the debentures.

9. As regards the request from Local Governments or local bodies for the construction of railway lines, which are bound to be unremunerative from the purely railway point of view but which may be remunerative from the district or provincial point of view, as providing facilities for administrative purposes which could only be provided by more expensive methods or for opening up the country and raising thereby the value of land, the prospects of industry, etc., there is no reason why the Railway Administration should have to meet the cost of running such unremunerative enterprises, the benefits of which are entirely provincial. The simplest solution appears to be one adopted in connection with two Local Governments already, viz., that where a Local Government or a district board or any local authority desires that a line which in the opinion of the Railway Administration would not prove remunerative should be constructed for their convenience they should guarantee to the Railway Administration a return on the capital at charge equal to the amount that has to be found by the Railway Administration to meet the cost of such undertaking plus whatever percentage is to be paid to the general revenues of the Government of India. As it is not necessary or desirable that the Central Government should make any profit out of the contributions of the Local Governments or local bodies, an undertaking at the same time might be given that whatever sums might be paid in pursuance of the guarantee by the local

Governments or the local bodies would be a first charge against any profits that the Railway Administration might get out of that particular line if and when the line attains a remunerative standard.

10. I put up for consideration by the Railway Board a draft memorandum*. I should be obliged if M-2 would note his views and alterations he proposes in the draft memorandum and pass it on.

G. G. Sin.—24-8-23.

I think that the Financial Commissioner's draft memorandum is excellent; I propose no alterations in it; I hope that the suggested "Reversed Branch Line Terms" will be brought into use as soon as possible.

R. Richards.—1-9-23.

I see no objection to the draft memorandum, and I agree with the proposal for reversing the branch line terms, viz., that the Government of India, Railway Department, provide the money for the construction of branch lines in future, the local Government or local body guaranteeing the necessary interest thereon.

2. I do not think, however, that it has been made quite clear as to how branch line companies came to be introduced. As the Financial Commissioner says, the shortage of money provided by the Finance Department was one important reason; but the second, I think, was with a view to encouraging Indians to invest their money in railways in their own country and to take an interest in such enterprises. The Financial Commissioner does mention this in his memorandum, but I am not sure that it is given as much importance as it deserves. I do not wish to criticise his remarks as regards the various advantages, and disadvantages, but they convey an impression, I think, which is perhaps somewhat unduly discreditable to the policy underlying the formation of these branch line companies. Had their construction been undertaken by the main line companies we should have been financially in the same position as regards the provision of funds for those companies, as was the case with other works, namely, periodically short of funds unless steps had been taken to embark on an entirely different policy such as that which is now proposed.

3. Again, in the majority of cases, at any rate the more important ones, the branch line is worked by the parent line, and there is no reason why a stipulation should not be laid down that the branch line should be constructed by the main line.

4. It is quite true, as the Financial Commissioner states, that capital raised by a small private undertaking will cost more than capital raised by the State, but there have been in the past limitations as to the amount which the State was prepared to raise.

5. As regards the confusion resulting from the multiplication of scores of independent railway companies—each demanding its own separate sphere of influence—here again, I think, the position is perhaps somewhat exaggerated, for a main line will, as a rule, jealously guard its sphere of influence and is in a much more powerful position to do so. Branch line companies are generally fully aware of this and leave their interests in such matters in the hands of the main line.

6. The position briefly, it seems to me, may be summed up in the fact that Government are now in a position to provide the necessary capital themselves or to arrange directly for its provision and therefore do not wish to call in the assistance of outside companies to finance branch lines.

7. This, it is now proposed, they should do on the demand of the local Government or local body provided that body is prepared to guarantee the necessary interest. Provided the local body guarantee that interest, can Government still decline to build the line? That is to say, do we not to some extent through making that local body responsible for “paying the piper”, abdicate our position as the final authority for accepting the necessity for a line or otherwise?

8. The Financial Commissioner has not touched, in his memorandum, on the question of the cost of working, but I gather he intends the cost of working shall be based on the working cost of the main line and on a fixed percentage basis. I doubt whether the local body will be satisfied with this. The fact is we wish to encourage the development of railways, not in the form of direct private enterprise but by getting a guarantee from the local body pressing the construction.

9. It is proposed in the memorandum that the financing of construction should be taken over generally by the Railway Department; and it is conceivable that on the terms indicated we may be inundated with demands for the construction of branches, in which, I think, the local authority will claim to have a big say in the matter of gauge, etc. At the same time, there will, I think, be a general outcry from the public in that they will claim that the doors are being closed against private enterprise.

10. Personally, however, as I have already stated, I am in favour of the policy if the Government of India are satisfied that it can be maintained both from the financial point of view and from the point of view of satisfying the demands of local bodies and the public. It is a matter which presumably will have to be referred to the Secretary of State.

W. D. Waghorn.—3-9-23.

The correspondence with the Secretary of State has left us under an obligation to make fresh proposals regarding the branch line terms. The accompanying note,* which will be submitted as a note by the Railway Board, indicates the line we propose to take and if this is approved, it will have to be forwarded as an enclosure to a despatch. The principle that Government should find the capital provided the local Government or some stable local body guarantees the interest is the one we have accepted in the case of the Nilambur-Shoranur line with the Madras Government. We have also suggested the same policy to the Punjab Government, unofficially, in connection with the proposed agricultural tramways. We hope to avoid any extension of the unsatisfactory branch lines arrangement which is costing us, both in subsidies and in unrecovered working expenses, an amount altogether disproportionate to the insignificant amount of capital raised outside our ordinary borrowing. The new procedure will also open up possibilities of local development to meet the desires of local Government to the great advantage of localities which under the present system are deprived of railway communication. Central Revenues will be safeguarded and in the event of the railway finances and budget being separated from the general finances the Railway Department will be able to take up development on these lines without the returned capital invested being jeopardised.

C. D. M. Hindley.—15-9-23.

This is a reversal of the policy hitherto followed and will probably surprise the Secretary of State. Therefore, before it goes to him I think we ought to fortify ourselves by being able to say that local Governments have been consulted. We can lay it down in our letter to them as the policy we intend to adopt and are sending it to them to give them an opportunity of expressing any views they desire.

This also gives us time to consult the Central Advisory Council.

I presume Finance will agree in future to find the funds needed.

D. T. C. (Hadwick)—19-9-23.

* Memorandum by the Financial Commissioner (S.N.I.)

**ANSWER TO QUESTION PAPER
MAY 1950****I. PRECIS**

Subject :—Proposal for a change in policy with regard to the Financing of Branch Lines

The Financial Commissioner of Railways framed a memorandum embodying proposals for reversing the financial terms on which the branch lines had come to be introduced thirty years ago. These lines were constructed under an agreement by which the State guaranteed a minimum return on the Capital, or alternatively, undertook that the line should receive out of the main line earnings from traffic contributed by the branch, such a sum as would make up the total earnings of the branch to a given sum, while the branch in each case shared with the main line any profits exceeding the guaranteed minimum.

2. The Acworth Committee, while pointing out that there was no other merit about the method of financing the construction of branch lines than that it enabled them to be built, mentioned the disadvantages to be :

(a) The Branch Line company was a fifth wheel to the Coach, involving separate construction staff, separate Board of Directors, and separate accounts.

(b) When the branch line was worked by the main line, there was lack of harmony between the two in case unsatisfactory management led to representations.

(c) Capital raised by a private undertaking cost more than that raised by the State.

(d) Multiplication of independent Railway Companies resulted in confusion, each demanding its own sphere of influence, shutting out any new-comer from that sphere as an intruder. This disadvantage was, in the opinion of the Railway Board, somewhat exaggerated, for the branch lines were fully aware of the powerful position of the main line and would leave their interest in the hands of the main line.

3. In amplifying these disadvantages the Financial Commissioner stated that Branch Line Companies had ceased for some time to raise additional Capital extent by Bank overdrafts or by the issue of debentures at high rates of interest or by seeking advances from the Railway Board. The procedure so far from reducing the amount the Government of India had to raise in the open market, actually increased it. Another grave disadvantage was that where the main line worked the feeder or branch line at a fixed percentage of the gross earnings, it suffered loss as the remuneration compared with heavy working expenses was utterly

inadequate. If the Branch Line Companies were prosperous their profits mounted up; if they were not successful the subsidy given did not show the real loss to Government as it did not include the loss from working the branch lines at less than the actual cost, and the rent of land supplied free of charge.

4. The argument that the Branch Line Companies raised money from local sources which could not be tapped by Government was hardly correct, because that money came mainly from the Managing Agents and Banks. It was further pointed out by the Financial Commissioner that the position leading to the money being raised when the Government of India was unable to furnish it, would not recur in future. Besides, the use of the Companies as Agency for raising money was far more expensive than direct Government Loans.

5. The Acworth Committee, therefore, thought it proper for the Government to reduce by amalgamation the number of existing Companies, and to approve private enterprise only in cases where the State could not or would not furnish the necessary funds. The Railway Board also recognised the urgency of reducing the number of branch lines as speedily as possible. And the Financial Commissioner suggested that if the Government of India should be unable to find funds for construction, it would do well to float short-term loans at a high rate of interest and to liquidate them when market rate became favourable.

6. As regards the construction of unremunerative lines which might be remunerative from the district or provincial point of view, providing facilities for administrative purposes or for opening up the country or for industrial expansion, it was proposed to venture on such construction provided the Local Government or the local body guaranteed the Railway Board against loss. This principle had been accepted in the case of the Nilambur-Shoranur line with the Madras Government and suggested in connection with the proposed Agricultural Tramways in the Punjab. The guarantee would be to the effect that the local authority should make up the difference between the net earnings and the interest and other charges payable. As however, the Central Government should make no profit out of such contributions by local authorities, it was proposed that the repayment of such contributions should be a first charge on any net profits subsequently accruing to the Railway Administration. The Central Government, in the last analysis, must retain the power to decide whether a line was to be constructed or not.

7. The Railway Board, however, feared that their position under these terms, would be abdicated to some extent. It was doubtful whether the local body would be satisfied with the

working cost of the main line as the basis of cost for the branch line as well. It was also conceivable that on the terms indicated in the memorandum the Railway Department might be inundated with demands for the construction of Branches and that at the same time, there might be an outcry against private enterprise being stifled. However, the Board had no objection to this policy being pursued, provided the Government of India were satisfied with its financial aspect and the view-point of local bodies and the public. A reference to the Secretary of State was considered necessary. But before such a thing was done, the new policy was to be explained to the Local Governments and their views were elicited. Meanwhile, there would be time enough to consult the Central Advisory Council and to obtain the confirmation of the presumption that the Finance Department would agree in future to find the funds needed.

POINTS TO BE NOTED

1. Serial No. 2 contains office notes, putting up the draft memorandum for consideration and orders. The two serials are almost identical in most places in the matter of arguments. Such arguments are to be scanned and presented in a coherent whole.

2. Details found in paragraphs 1 and 2 of Serial D and in para 2 of Waghorn's note serve as introduction to the subject.

3. The disadvantages of the Branch Line system are brought out in paragraphs 4, 7 and 8 of Serial I and in paragraph 3 and of Waghorn's note.

4. Advantages of the system are perceived with comments in paragraphs 5, 9 and 10 of Serial I and in paragraph 4 of Waghorn's note.

5. Conclusions are drawn in paragraphs 6 and 11 of Serial I and in paragraph 8 of Sim's note.

6. Suggestions and comments are found in paragraphs 18 and 19 of Serial I, paragraphs 9 and 10 of Sim's note, paragraphs 6 and 7 of Waghorn's note, paragraphs 8—10 of Waghorn's note and in Hindley and Chadwick's notes.

It is in some such wise as this that the subject-matter of the correspondence has to be critically analysed in the course of the second reading of the question paper. Without mapping out the whole ground and locating the main and subsidiary objects in the intellectual landscape beforehand no candidate can possibly put his pen to paper.

II. DRAFT

Government of India,
Railway Department,
(Railway Board).

No.....

From

The Secretary,
Railway Department,
Railway Board.

To

All the Local Governments,
(Public Works Department),
Dated, New Delhi.....

Subject:— Proposal for a change of policy in Financing
Branch Lines.

Sir,

I am directed to state that the Railway Board, after a close examination of the financial terms on which the branch line had come to introduced thirty years ago, have felt the necessity and propriety of a complete reversal of the policy hitherto pursued. The Branch Lines had been built under an agreement by which the State guaranteed a minimum return on the capital or alternatively, undertook that the line should receive in respect of traffic contributed by the branch such a sum, known as rebate, as would make the total earnings of the branch to a given sum, while the branch in each case would share with the main line any profits exceeding the guaranteed minimum. This arrangement had been hit upon at a time when the Government of India were not in a position to provide the necessary capital.

2. The Acworth Committee constituted for the purpose of examining the question, had pointed out that this method had no other merit about it except that it enabled the lines to be constructed. The disadvantages of the system, as specially mentioned by them in their report were :—

(a) The Branch Line Company involved unnecessary duplication of the construction staff, Board of Directors, and Accounts.

(b) Sometimes, when the branch line was worked by the main line the harmony between the two was impaired especially in the event of representations to the main line administration or appeal to the Railway Board.

(c) Capital raised by a private undertaking even with a Government guarantee cost more than that raised by the State.

(d) The multiplication of independent Railway Companies, each desiring to reserve for itself a separate sphere of influence and demanding payment of toll to the original concessionaire, resulted in confusion.

3. This view is further strengthened by the fact that where the main line works the feeder or branch line for a fixed percentage of gross earnings, usually 40 to 50 per cent, it suffers loss as the terms of remuneration compared with the heavy working expenses ranging from 60 to 80 per cent of the gross earnings are grossly inadequate. If the Branch Line Companies are "Successful", their profits get inflated, but if, they are less prosperous the subsidy given them does not reveal the true loss to Government, as it does not include the loss sustained by the main line working the branch one at less than the actual cost and the rent of land supplied free of charge.

4. Even the argument urged in favour of Branch Line Companies that they obtain money from local sources which could never have been tapped by the Government, is hardly correct because that money after all came mainly from the Managing Agents or Banks. Moreover, the Branch Line Companies have been unable for some time to raise additional capital except by bank overdrafts at high rates of interest or by the issue of high rate debentures or by advances from the Railway Board. In view of the difficulties and complications experienced in connection with the Branch Line Companies, the Government of India should aim at reducing by an amalgamation the number of existing companies to the barest minimum and allow private enterprise to thrive only under exceptional circumstances where the State cannot and therefore will not provide adequate funds. Such a contingency too may not arise in future as it would be possible for the Railway Administration itself to raise short-term debentures at a high rate of interest which could be liquidated when the loan market became favourable.

5. The Inchape Committee have also recommended that railways should be constructed and worked on a commercial and remunerative basis. It would, therefore, be proper and wise to adopt the procedure for the financing of the construction of branch or feeder lines whereby they may be expected to prove remunerative from the commercial point of view. But in cases where the local authorities desire the construction of such lines which would assist in the development of areas, the Railway Board would arrange for the construction of such lines from railway funds provided the Local Government or the Local authority guaranteed the Railway Board against loss. That guarantee means that the local authority would make up the difference between the net earnings and the interest and other charges payable. As it is not desirable that the Central Government should make any profit out of such contributions by local authorities it is also proposed that where contributions have been made by a local authority for this purpose, the repayment of such contribution should be a first charge on any net profits subsequently realised from the line, should

it prove remunerative. This procedure would meet the two desirable ends of gratifying the desires of Local Governments in the direction of spreading the net of railways wider, as well as safeguarding the Central Revenues. And in the event of the railway finances and budget being separated from the general finances, the Railway Department would be able to take up development on these lines without the return on capital investment being jeopardised. The Central Government will, however, reserve to themselves the right to decide whether a line is to be constructed or not.

6. As this new procedure would mean an entire reversal of the policy in vogue, it has to be referred to the Secretary of State. But before that step was taken, the Railway Board would like to be favoured with the views of the Local Governments.

Yours faithfully,

Secretary.

IMPORTANT POINTS

The question paper itself gives a definite clue to the right approach to the subject. You have already analysed the arguments for and against the reversal of policy in the precis; only a deft adaptation of those details to the requirements of the draft is needed. Just see how you can expand the clue given in the question paper into a comprehensive analysis.

1. How the Branch Lines came to be built thirty years ago, and how those old terms of agreement have turned out to be unremunerative. The Railway Board, therefore, propose a complete reversal of the policy hitherto pursued.

2. The Acworth Committee's findings focus attention on the disadvantages; unnecessary duplication in expenditure, lack of harmony between the main line and the branch line, private loan costing more, confusion resulting from multiplication of independent Railway Companies, and the heavy loss sustained by the main line working the branch line.

3. Private companies exploiting untapped resources—a myth. Reduction of private undertakings to the barest minimum—a necessity. What they had been doing to raise capital, the Railway Administration can as well perform.

4. The Inchcape Committee's insistence on the commercial basis. The propriety of adopting the new procedure of securing guarantee against loss. Local authorities to guarantee the Railway Board against loss if unremunerative but desirable branch lines are to be built. Of course, the object of the Central Government is not to make profits at the expense of local authorities.

5. The necessity of referring the matter to the Secretary of State. Before such a step is taken the Local Governments furnish their views.

SUBORDINATE ACCOUNTS SERVICE EXAMINATION

November 1950

I. *Prepare a brief precis of the notes below.*

II. *Draft a letter from the Government of India, Home Department to the Chief Secretaries of Provincial Governments and the Chief Commissioner and Agent to the Governor-General in the North-West Frontier Province stating the conclusions arrived at in Mr. Gwynn's note dated 25-1-22 and enquiring whether they agree that the Secretary of State in Council should be addressed to take action on the lines proposed in that note.*

Notes in the Government of India, Home Department.

1. The question considered in this file is whether officers promoted from Provincial Police Services to the Imperial Service should have their appointments made by the Secretary of State in Council in order that they may have the same protection and status as officers appointed direct to the Imperial Service.

2. Before dealing with that question I think it is desirable to notice certain references made by Local Governments to a distinction between officers promoted to hold "listed" posts and all officers promoted to the Imperial Service. It appears that the former class, though holding posts ordinarily reserved for members of the Indian Police, are still regarded as members of the Provincial Service, while members of the latter class are regarded as members of the Imperial Service. It seems to me that since the new system came into force, this distinction no longer exists, so far as new entrants are concerned, or at any rate should not continue to exist. I think the undoubted intention is that all officers, whether appointed by direct recruitment or by promotion from the Provincial Service should have the same status and privileges and should in fact be regarded as members of the same service. This might be made clear to Local Governments in the orders issued on this file.

3. As regards the proposal actually under consideration Local Governments are practically unanimous in accepting the principle underlying it; the only question is whether the difficulties which have been pointed out by certain Local Governments are sufficiently serious to prevent its adoption.

4. The Madras Government evidently accept the principle, but they suggest a different solution, viz., that the protection of promoted officers should be secured by legislation, the appointments

being still made by the Local Government. I do not think that this solution is acceptable. In the first place, it would apparently involve amendments of Sections 67-A (3) (iii) and 72-D (3) (iii) of the Government of India Act in order to secure the protection of salaries and pensions, and amendment of Section 96-B (i) or some other section to secure protection against dismissal by any authority subordinate to the Secretary of State in Council, and I take it that there are strong practical objections to proposing amendments of the Government of India Act and more particularly those sections which deal with expenditure which is withdrawn from the vote of the Assembly and Legislative Councils. Further, even if such legislation were passed, the object would not have been fully attained; the appointments would be made by the Local Government and even if the legislation provided that officers so appointed should be full members of the Imperial Service, they would inevitably be regarded as lower in status and would make a grievance of the fact. Such a grievance would no doubt be mainly sentimental, but it would be none the less real on that account. I think, therefore, that the proposal of the Madras Government may at once be turned down.

5. The Bihar and Orissa Government also agree in principle, but they do not accept the proposal partly because the primary object of the protection afforded by the Government of India Act is to guarantee the prospects of officers appointed in England and partly because differential treatment of police officers would excite jealousy among other provincial services. I do not think the first objection is of much importance; under Rule VI of the statutory rules made under Section 96-B (2) of the Government of India Act all direct appointments to the Indian (Imperial) Police must be made by the Secretary of State in Council and, therefore, all direct recruits secure the protection of the Government of India Act, whether they are appointed in India or in the United Kingdom. The second objection is, however, a real one and requires serious consideration. It was of course realised before and Local Governments were specially asked to consider the point.

6. The Government of Bombay say definitely that they do not consider that the same concession is needed for the protection of officers promoted from the Provincial Civil Service, and the Government of the United Provinces and the Chief Commissioner, North-West Frontier Province, anticipate no difficulty on this account. The same view may be assumed in the case of the Government of the Punjab who accept the proposal without comment. The Governments of Bengal and Assam do evidently anticipate difficulty, but they would not let this stand in the way of giving protection to police officers. On

the other hand, the Governments of Burma and the Central Provinces consider it impossible to differentiate in favour of the Police and they recommend that the concession should be allowed to officers promoted to all Imperial Services.

7. In view of these different opinions, it is difficult to know what to recommend. I gather from the letters of Local Governments on this file that while under the new system of recruitment officers promoted from the Provincial Service are, in the case of the Police, promoted to the members of the Imperial Service, the same is not the case in the Indian Civil Service where promoted officers are still regarded as being Provincial Service officers holding "listed" posts. I understand that there are special difficulties in the case of the Indian Civil Service which operate to prevent promoted officers from becoming full members of the Service. It will be seen that certain Local Governments justify a differentiation on this ground, and the United Provinces Government go so far as to say that holders of "listed" posts are not entitled to any special protection. I venture to suggest that this is going too far. After all, there is no essential difference between an officer appointed to hold a "listed" post and an officer promoted to hold a superior post in an Imperial Service, as a member of that service, and if in the case of any service, there are special reasons which prevent promoted officers from becoming members of that service, there is no need to penalise them in other ways as well.

8. If that view is accepted, there is no objection to the concession being extended to officers of Provincial Civil Services promoted to hold listed Indian Civil Service posts. We do not know what the position is as regards other Imperial Services, but I do not see why the case of each Service should not be dealt with separately on its own merits. In the case of a Service like the Police, it is most desirable that all officers should as far as possible have the same status and privileges, irrespective of the method of their appointment. Moreover, as the Bengal Government point out, the attitude of the Legislative Council is more antagonistic to the Police than to other services and they, therefore, require a greater measure of protection. I suggest, therefore, that we should recommend to the Secretary of State that as an exception to Rule VI of the rules under Section 96-B (2) appointments to the Imperial Police by promotion from the Provincial Service should be made by the Secretary of State in Council. The balance of the opinions of Local Governments is in favour of this course, and if a similar concession is required in the case of any other service that can be considered separately. I do not think that an amendment of Rule VI is required for this purpose.

9. The Punjab Government have recommended that the concession should be extended to officers already holding listed posts and the Bengal Government have recommended a similar extension to all members of the Service who were recruited in India. (This includes holders of listed posts and other persons appointed otherwise than on the results of the competitive examination in the United Kingdom). The view previously taken has been that it is not necessary to extend the concession to this class, as it is a decreasing class and the members of it are mostly men approaching the end of their service. It may be as well, however, to indicate one or two arguments on the other side. A United Provinces officer holding a listed Police post complained bitterly last year about the inferiority of his position as compared with men junior to him in the Provincial Service who had recently been promoted to the Imperial Service. The burden of his grievance was not that his pay, etc., were less but that the recently promoted men were members of the Imperial Service while he was not. The grievance seemed mainly a sentimental one, but he appeared to feel very strongly on the subject. A Punjab officer similarly situated seemed to feel his position equally acutely. A more real disability is that Local Governments in presenting their Budget demands to the Legislative Councils presumably include in the voted portion the salaries of Police officers who have not been appointed by the Secretary of State in Council and the Legislative Councils can, therefore, refuse their assent to this expenditure. It is difficult, however, to estimate how far this is a real danger and whether the power of the Governor to restore the item would not in practice be a sufficient protection.

10. The objections to extending the concession to officers already listed posts are, so far as I can see only that it would cause a good deal of trouble to have them reappointed by the Secretary of State in Council and that as they are a decreasing class the protection is not really necessary. I suggest, however, that the arguments set out in the preceding paragraph are sufficiently strong to counterbalance these objections and that the extension should be allowed. It may be noted that the mere reappointment by the Secretary of State in Council of these officers in their present capacity will not be enough. Such reappointment would give them the required protection, but it would not give them the status for which they ask. In order to give them this it will be necessary that they should be appointed by the Secretary of State in Council *as members of the Imperial Service*. If the suggestion I have made is accepted, we must ask local Governments for lists of officers to be reappointed and then ask the Secretary of State to agree to the proposal and to reappoint the officers in Council. If this procedure is followed we should inform Local Governments that the concession is for the present

confined to the Police and that if a demand is made in the case of any other Service for a similar concession it will be considered on its merits. Emphasis should, at the same time, be laid on the fact that the circumstances of the Police are considered to be exceptional.

11. There remains the question raised by the United Provinces Government regarding direct appointments on the result of the competitive examinations. We do not know in detail what the procedure of the various Local Governments is, but I imagine that in most cases, the final medical examination follows the competitive examination, and complications may also arise in the matter of communal representation. On general grounds too it is desirable that definite recommendations should come up from the Local Governments for transmission by us to the India Office.

A. Macleod.—8-4-22.

1. This case presents some difficulty. At the time the question of protection was first mooted it was considered on almost all sides as necessary and desirable. The interests of good administration, specially in so far as the maintenance of law and order are concerned (the primary functions of the police), seemed to demand an adequate and efficient police force, the superior officers of which as being members of an all-India Service should be free from the embarrassment caused by a possible refusal to vote their salaries in the local Council. Now, however, opinion is not so decided. All members of all-India Services as well as members of Provincial Services holding what for convenience I may still term "listed" posts, are protected against capricious dismissal. Moreover, attempts further to curtail the financial powers of the Councils are being deprecated. The effect of the present proposal is frankly to protect salaries from discussion some of which would actually be liable to discussion.

It will be convenient to examine each class of police officers concerned. There are five classes :

- (a) those appointed otherwise than by the Secretary of State in Council;
- (b) those appointed under the reconstruction scheme in 1919—20;
- (c) those appointed by open competition in England;
- (d) those appointed by competition among nominees in India; and
- (e) those appointed by promotion from subordinate ranks.

2. The question originally began with the discussion as to whether police officers, however appointed, should be brought within the terms of Section 72-D (3) of the Government India Act, 1919, in order that their salaries might not be subject to the vote of local Councils. It was held that this protection could not be given to officers already in the Service who had been appointed to the Police Service otherwise than by the Secretary of State in Council, unless their existing appointments were cancelled and they were reappointed by the Secretary of State in Council. They are a declining class and in any case the rules framed under Section 96-B would give them a right of appeal to the Government of India against dismissal. I shall deal later with this class.

3. In regard to other officers of the police service those appointed as a result of the competitive examination in England will continue to be appointed by the Secretary of State in Council. No action is, therefore, required. Similarly, officers appointed as service candidates in the year 1919 and 1920 have been appointed by the Secretary of State in Council on the recommendation of the Government of India. Indeed in some cases in which at first they had not been so appointed, steps were taken to get them reappointed by the Secretary of State in Council. Those selected in India as a result of the competitive examination among nominees are also to be appointed by the Secretary of State in Council. There remains, therefore, only one class of police officers with which we are now concerned, that is, the police officers promoted from the subordinate ranks to the Imperial Police. The Hon'ble Member will recollect that under existing orders 11 per cent. of appointments in the Imperial Police are to be filled in this way.

4. Local Governments are generally in favour of protection being given to the promoted officer though there are several objections which will be discussed later. There is also a considerable body of opinion that Police Officers appointed otherwise than by the Secretary of State should now be reappointed by the Secretary of State in Council. It has been held that these are disappearing class, that they are already protected against dismissal, that they could only secure this protection if their appointments are cancelled and they are reappointed by the Secretary of State in Council, a procedure which will perhaps be resented in some sections of the Legislative Councils. At the same time, the lists forwarded by Local Governments show that this class of police officers is not such a rapidly disappearing class as one might imagine. There are still very many such officers in the Service who, it must be remembered, are still members of an all-India Service. Undoubtedly, if this method of recruitment were to continue we could, I think, have no hesitation in recommending that such officers should, in future, be appointed by the Secretary of

State in Council, and that those already in service should now be so reappointed. This system, however, is not continuing, and it can therefore be plausibly argued that we should logically confine ourselves, in considering how far the protection given by the Government of India Act can be applied to the Police force, to the present system of recruitment for it, that is, to the reorganisation announced in 1920, and consequently to men entering the Imperial Police Service after that reorganisation. A second and perhaps stronger reason is an objection based on political grounds. Such a reappointment would obviously be regarded as a fiction clearly designed to defeat possible malice or caprice on the part of the Legislative Council. The Council would consider it a further encroachment on what they regard as already far too limited control over expenditure on the Service. Finally, in some quarters it may be argued that protection of salaries has not yet been shown to be necessary. Protection against dismissal is already secured. If the votable demand is reduced with the object of reducing the salaries of Service Police officers, those officers would be out of employment and would be able to memorialise. Their salaries could also be restored by the Governor, and so far nothing has happened to induce us to believe that the salaries of members of an Imperial Service will be attacked. I must say, I think, it would be rather cold comfort to tell a man whose salary had not been voted that he could send a memorial to the Government of India. This argument strikes me as having theoretical merit rather than any practical importance.

5. To look at the matter from the other side, I doubt if it is just or expedient to refuse protection to this class of police officers. Such refusal would cause great resentment and discontent particularly if the promoted man is to receive protection. It may be that the old district nominee is often an inferior type of police man. The experience of some provinces may be that they have got a number of bad cases. But this observation cannot be held to be of universal application, nor in the present discussion is it in reality a relevant consideration. In any case this class of officers it seems to me, should be on the same footing as regards their rights, as other members of the same service, or at any rate as that other class not already appointed by the Secretary of State in Council namely, the promoted men. They are members of an all India Service and when they were appointed there was never any question of the possibility of their salaries not being voted. As a radical change has now been brought about in this respect, I think we should either recommend that such men should now be reappointed by the Secretary of State in Council, or at any rate not give promoted men a more favourable position *vis-a-vis* the Councils. The right of appeal and the Governor's powers of restoration may give security in practice but it can be argued with

considerable show of reason that we should not take "sporting chances" in regard to a service largely responsible for the enforcement of law and order. In this connection, the arguments advanced by the Government of Bengal whose experience in regard to their budget has not been happy, on the position of police officers generally are, to my mind, of great weight.

6. Under the reorganisation of 1920 promotion from the subordinate ranks is a recognised avenue of entry to the Imperial Service. The majority of Local Governments agree that we should recommend to the Secretary of State that all officers selected by Local Governments for promotion to the Imperial Service should be appointed by the Secretary of State in Council. There is nothing illegal in the procedure, which will simply take the form of a recommendation from the Local Government to the Government of India and from the Government of India to the Secretary of State in Council. I do not understand the Madras Government's objection to this course, nor their preference for special legislation, which seems to me open to the objection stated by Mr. Macleod, nor do I understand the contention of the Bihar and Orissa Governments that the protection under Section 72-D (3) was intended to apply to the officers recruited in Europe. Under the rules drafted under Section 96-B, it is definitely stated in Rule VI :—

"All first appointments to an all-India service, other than appointments made by promotion to such service, of officers belong to some other service or of members of the bar appointed to posts ordinarily held by members of the Indian Civil Service, shall be made by the Secretary of State in Council."

The intention, therefore, could hardly have been to restrict the application of Section 67-A (3) and cognate sections to officers appointed in Europe.

7. If we merely look to the possibility of securing protection for the police officers promoted from the subordinate ranks to the Imperial Service, it seems clear that all persons appointed by promotion to the Imperial Police to fill the 11 per cent. of police appointments, now definitely to be filled by promotion, should be given the benefit of the protection afforded by Section 72-D (3) and such appointments should, therefore, be made by the Secretary of State in Council.

8. There are, however, two general considerations which may be urged against giving protection to promoted officers. In the first place, a very great advance in Indianisation of the Imperial Services is under contemplation and the form it should take is, it has been suggested, that of listing an ever-increasing

number of Imperial Service posts as they fall vacant, recruitment in England to a large extent being curtained or even ceasing altogether for the time being. This step, if it is taken, will mean eventually the provincialialisation of the Imperial Services and, therefore, as there will be no all-India Services, there will be no need for officers to be appointed by the Secretary of State in Council. If this position is to be forced upon us fairly soon, we need not worry about the protection of men promoted from subordinate ranks to the Imperial Service. The second consideration is that assuming that the Imperial Services continue to exist for some time under their present organisation and that the system of promoting provincial service police officers to the Indian Imperial Police Service continues, it would be very unlikely that the local Councils would refuse to vote the salaries of such officers who would be for the most part Indians. If they did, the reply of Government would be clear, "you do not want promoted men to fill these posts and, therefore, the system will be given up. Men in future shall be appointed (a) by open competition in England and (b) by competition of nominees in India." This policy, however, would not protect those already promoted whose salaries any Council refused to vote and would really be more in the nature of an effective threat than anything else.

9. Whatever may be the merits of accelerated Indianisation or in other words increased provincialisation in regard to other services, I think the Government of India should take no action which would impair the efficiency of the Police force whether in its superior or in its subordinate ranks. This force more than any other is responsible for the maintenance of law and order. A lower percentage of Indianisation, namely a total of 33 per cent., except in North-West Frontier Province, Burma, where the percentage was smaller instead of a percentage approximating to 50 in other Imperial Services, was deliberately accepted in this service because it was felt that it would not be safe in the interests of law and order to adopt or to make possible a lower standard of efficiency. With a less efficient general administration it is more essential than ever that we should have in India particularly in the districts, a competent and efficient police force. Without it, I am afraid riots and disturbances will be of frequent occurrence and no effort will be made to check disorder when it occurs. If this view is correct, it follows that we cannot contemplate the same rapid provincialisation of the police force as of other services; for we shall continue to require for some years to come a considerable stiffening of European officers in the force, and, therefore, it further follows that all officers, if members of an all-India Service, must receive protection as regards their rights and salaries.

10. The possibility of provincialisation, which it may be hoped, will be long postponed in the case of the police, should not.

deter us from granting protection to the two classes of Imperial Police officers who at present do not enjoy it, for I maintain that we cannot adopt any differential treatment as between these two classes. Those appointed by competition whether in England or in India will be protected by the Secretary of State in Council. The other two classes, those appointed otherwise than by the Secretary of State in Council and those promoted from the subordinate ranks should be similarly protected. If the importance of giving full and adequate protection to the officers of that force which is mainly responsible for the enforcement of order and the maintenance of authority is accepted, then it is clear that these two classes of Police officers also should be respectively reappointed and appointed by the Secretary of State in Council.

11. A few minor points remain : as a matter of detail, persons who have for some time held listed posts and are now selected for these 11 per cent. posts should be appointed by the Secretary of State in Council. This is not a question of retrospective effect. When they held listed posts they belonged to the Provincial service and were not members of the Imperial Police. Therefore, in recommending that they should not be appointed by the Secretary of State in Council, we are not adopting any fiction, for they are only now securing entry into the Imperial Service, although they have served in the provincial service for many years and have perhaps, in some cases, held a "listed" post for a considerable period. It simply depends on the Local Governments concerned. If the Local Government says that these men who have held listed posts for a long time are to be included in the 11 per cent, then I maintain it is clear that their appointment to the Imperial Police must be considered to date from the date of such selection and they can, therefore, be legitimately and ought to be appointed by the Secretary of State in Council. If there should be posts over and above this 11 per cent. of posts on the Imperial Police Cadre, held by members of the provincial service, these incumbents over and above that 11 per cent. will of course *not* be members of the Imperial Police unless and until that percentage has been increased with the sanction of the Secretary of State.

12. Local Governments were invited to consider whether the grant of this protection would cause any embarrassment, *vis-a-vis* the members of the provincial services promoted to hold posts ordinarily held by members of the Indian Civil Service. Some Local Governments are inclined to think that embarrassment and discontent will be caused and Burma, e.g., suggests that members of all provincial services promoted to Imperial Service should similarly get the protection afforded by Section 72-D (3) while the Governor of Assam is of opinion that, at any rate,

members of the provincial service appointed to hold Indian Civil Service posts should be protected in this way. I think, however, it must be admitted that the cases of the police and other services are fundamentally different. If in any other service—and I cannot speak with any authority, because I am not sufficiently acquainted with the conditions obtaining in services with which this Department is not concerned—promotion from subordinate ranks to Imperial rank is a recognised form of recruitment then it would be for such a service to take up the question itself. I do not think that possible embarrassment in the case of a service so constituted which does not fight its own battles should afford a legitimate objection to the adoption of a very salutary measure on behalf of the police. In regard to provincial service officers promoted to hold Indian Civil Service posts this Department can speak with authority, as it is the Administrative Department. The differences are fundamental. The provincial service officer holding an Indian Civil Service posts is still a provincial service officer. He is not a full member of the Indian Civil Service, although he has Imperial Service status and although the number of listed posts is taken into account in computing the percentage of Indianisation. In the Police Service the promoted subordinate officer becomes, on promotion, a full member of Imperial Police Service.

C. W. Gwynne—25-4-22.

ANSWER TO QUESTION PAPER NOVEMBER 1950

I. Precis

Subject :—Proposal regarding officers promoted from Provincial Police Services to the Imperial Services.

The Government of India, Home Department, had carefully considered the question whether the officers promoted from Provincial Police Services to the Imperial Service should be appointed by the Secretary of State in Council in order that they might have the same protection and status as officers directly appointed to the Imperial Service, and had also referred the subject to the Provincial Governments for their opinion. On receipt of their replies Mr. Macleod wrote a note, which was put up by Mr. Gwynne for the orders of the Hon'ble Member.

2. Mr. Gwynne, referring to the necessity of protection for promoted officers felt at the time when the question was first mooted, explained how in the interests of good administration, especially the maintenance of law and order, an adequate and efficient police force was a vital pre-requisite, and how the police officers belonging to the All India Service should be free from the embarrassment caused by a possible refusal to vote their salaries in the local Councils. The officers appointed as a result of open competition in England and India and the service candidates recommended by the Government of India under the reconstruction scheme of 1919—20 were being appointed by the Secretary of State and hence beyond the control of the Councils. The only class of police officers lacking in such protection were those appointed otherwise than by the Secretary of State in Council or by promotion from provincial ranks. Those coming into the first category were believed to be a declining class whose interests were considered to be safeguarded by rules under Section 96-B of the Government of India Act. The Provincial Governments had been asked to state whether their promoted officers who under the existing rules comprised eleven per cent of the appointments, should also be appointed by the Secretary of State in Council and to consider, amongst other things, whether this single treatment accorded to police officers would excite the jealousy of other provincial services.

3. All Provincial Governments but that of Bihar and Orissa were almost unanimous in accepting the principle behind the proposal. That Government argued that the chief object of the

protection ensured by Section 72-D of the Government of India Act was meant to guarantee the prospects of the officers appointed in England. But this objection, according to Mr. Macleod, was untenable as Rule IV of the Statutory Rules framed under Section 96-B (2) of the Government of India Act, was applicable to officers appointed both in England and in India. Mr. Gwynne also was inclined to the same view, and he believed that there was no intention to restrict the application of Section 67-A and other relevant sections to officers appointed in England only.

4. The Madras Government traced out a new path in suggesting that the protection of promoted officers should be secured by legislation, the appointment of them still being made by the local Governments. As this suggestion involved radical amendments of some sections of the Act, Mr. Macleod would at once turn it down. Moreover, even if such a legislation was effected, the officers so protected and continued to be appointed by the Provincial Governments, would be regarded as lower in status. Mr. Gwynne also was of the same view. He would urge two general considerations against the grant of such protection, namely, that it would run counter to the scheme of Indianization of the Imperial Service and that there was not even a remote possibility of the councils refusing to vote the salaries, as such a refusal would tantamount to a vote against the very mode of promotion. Whatever might be the merits of rapid Indianization or increased provincialisation, he felt that nothing should be done to impair the efficiency of the police force, particularly in view of the laxity in general administration due to Indianization or otherwise.

5. Mr. Macleod further mentioned that the Punjab Government had suggested the extension of this concession even in the case of those police officers who had been appointed otherwise than by the Secretary of State and that the Bengal Government had gone a step further in granting the concession to all members of the service who were recruited in India. In fact, there was a considerable body of opinion in favour of this step. But Mr. Macleod objected to extending this concession on the grounds that it would cause a good deal of trouble to have the officers reappointed by the Secretary of State and that they were a rapidly disappearing class of officers. He also thought that these objections were counterbalanced by the arguments that this class of officers had complained of their status *vis-a-vis* the promoted men, and that the Legislative Councils might refuse to vote their salaries which as a result of constitutional changes, were being included under voted expenditure. It was difficult to estimate how far this was a real danger and whether the powers of the Governor to restore their salaries were not an adequate protection. In spite of these counterbalancing arguments, he considered that with a view to

give the officers the necessary protection and status, it was imperative that the Secretary of State should reappoint them to the Imperial Service.

6. In dealing with this question, Mr. Gwynne pointed out that the lists forwarded by Local Governments did not show that this class of Police officers were a rapidly disappearing class as had been imagined. He adduced other reasons against the grant of this protection. (a) As this method of recruitment had been given up the question of protection should be restricted to those entering the Imperial Service after the reorganisation of 1920. (b) Their reappointment by the Secretary of State would be resented by the Legislative Councils who would regard it as an encroachment on their already too limited control over expenditure on the service. (c) The protection of salaries had not yet been shown to be necessary. If their salaries were not voted on they could memorialise and their salaries could also be restored by the Governor. But looking at the matter from the other side, Mr. Gwynne felt that it was not just or expedient to refuse protection to this class of police officers. Such refusal would cause great resentment and discontent particularly if the promoted man was to receive protection. This class of officers should be on the same footing in regard to their rights as other members of the same service. Moreover, when they were appointed there was no possibility of their salaries being refused the vote of the Council. As a radical change had now been brought about in this respect, he would uphold protection and refuse to take sporting chances in respect of services largely responsible for the maintenance of law and order.

7. The upshot of the foregoing line of argument was that protection should be granted to the two classes of police officers by the Secretary of State in Council reappointing them to the Imperial service. In recommending persons who held listed posts and were selected for the 11 per cent posts, for appointment by the Secretary of State, Mr. Gwynne remarked that there was no question of retrospective effect. Nor could the incumbents over and above the 11 per cent be members of the Imperial Police unless that percentage was increased with the sanction of the Secretary of State.

8. As regards the other issue that the grant of protection to the police officers might excite the jealousy of the members of the other Provincial services, the Provincial Governments were not unanimous in their opinion. The Bombay Government saw no need for the protection of officers promoted from the Provincial Civil Service. The Government of the United Provinces and the Chief Commissioner of N. W. Frontier Province anticipated no difficulty on that account. The Government of the Punjab hold-

ing the same view accepted the proposal without comment. The Governments of Bengal and Assam did anticipate difficulty, but they knew no objection to protection being offered to police officers, whose case was quite different from that of other services in the sense that the attitude of the Legislative Councils was more hostile to the police. On the contrary, the Governments of Burma and the Central Provinces considered it impossible to differentiate in favour of the police and they recommended that the concession should be allowed to officers promoted to all Imperial Services.

9. While commenting on these views, Mr. Macleod and Mr. Gwynne observed that the officers promoted to the Indian Civil Service still remained Provincial Officers whereas the Police Officers so promoted became full members of the Imperial Service. If such a concession was required in the case of services other than the police then it could be considered on the merits of the case. Mr. Gwynne scolded this conclusion.

IMPORTANT POINTS

1. The two office notes written by two different officers in succession agree on the essential points, but the views of each officer should be studied separately and embodied in a coherent whole. In the course of the second reading, those views can be marked and numbered with the parallelism in thought between the two officers being kept in view. As an aid to doing this you can jot down in the margin the idea of each paragraph in the notes. Such an analysis will enable you to comprehend what is important and to eliminate what is not.

2. By the process of visualization, you should construct a mental picture of what, why and how of the entire question arose. It arose out of a letter circularized by the Government of India to all provincial Governments. Although the letter is not included in the question paper, from the nature of the notes it is to be inferred that it bore on the several categories of the Police officers and the proposal for offering protection to two of those categories by having them reappointed to the Imperial service by the Secretary of State in Council. It also required the Provincial Governments to consider amongst other things, whether such a protection would provoke jealousy among the members of the other services. The replies of the Provincial Governments must have been received, for, in the notes, there are distinct references made to the opinions expressed by them.

3. Side by side with those opinions, you have to observe very carefully the reactions of the Government of India as expressed by the two officers as well as the conclusions reached by them, which form the basis of the recommendations to the Secretary of State.

4. By reading the precis, one should be able to know the views of each officer without reference to the original note. So it is necessary for you to make an abstract of each officer's views separately. That does not mean you should reproduce those views in two distinct compartments of the Precis. Sometimes you will have to make a comparative estimate of them, mentioning their reactions to the opinions of the Provincial Governments side by side.

5. On the whole, your precis should exhibit clarity of thinking and expression. There can be no objection to your free use of the language of the original provided you take care to see that it is reproduced correctly and in the proper context. You should have a clear idea of what you are going to say and never sling on to paper any sentences that you may pick up as you proceed. In other words, your Precis should be perfectly methodical instead of mechanical.

6. Above all, proportion the time suitably between the Precis and the draft. Neither of the two can have marks of hastiness, incompleteness, poverty of thought and expression.

7. Both the Form and Substance of your Precis count a great deal, the one being as attractive and beautiful as the other should be pointed and satisfying. A logical continuity of thought as well as proper coherence should be sedulously observed.

II. DRAFT.

No.....

Government of India,
Home Department,

From

The Secretary to the Government of India.
Home Department, New Delhi.

To

The Chief Secretary,
All State Governments,
The Chief Commissioner and Agent to the
Governor-General, N.W.F.P., Peshawar.

Dated, New Delhi.....

Subject:—Proposal for appointment of Promoted Provincial Police Service officers to the Imperial Service by the Secretary of State.

Sir,

I am directed to invite a reference to the letter from the Government of India, Home Department, No.....dated..... in which the Local Governments were requested to state whether officers promoted from the Provincial Police Services to the Imperial Service should be reappointed by the Secretary of State in Council so that they can have the same protection and status as officers directly appointed to the Imperial Service. The principle behind the proposal has been accepted by all Provincial Governments except one or two who have drawn attention to certain difficulties.

2. The Government of Bihar and Orissa do not accept the proposal partly because the primary object of the protection afforded by the Government of India Act is to guarantee the prospects of officers appointed in England and partly because the invidious distinction drawn between the police officers and the other services, would provoke the jealousy of the latter. This position is untenable for, under Rule VI of the statutory rules made under Section 96-B (2) of the Act direct appointments to the Indian Police must be made by the Secretary of State, and, consequently, all candidates directly recruited both in India and in the United Kingdom secure the necessary protection.

3. The Madras Government have offered the suggestion that the protection of promoted officers should be secured by legislation; the appointments still being made by the Local Governments themselves. This suggestion too is impracticable in-as-much as that would involve the amendment of some section of the Act. Even if such a legislation was made, the officers so protected would be regarded as lower in status because of their

having the hallmark of provincial appointment. They would make a grievance of this fact, and the object of legislation cannot be realised at all.

4. As regards the idea of extending this concession to officers already holding "listed" posts, I have to state that the opinions of the Local Governments have not been unanimous. Previously this class of officers had been regarded as a declining one but the lists now received from those governments give the lie direct to that fact. The Government of India feel that it will not be just or expedient to refuse protection to a large number of officers belonging to that class. Such refusal is very likely to provoke great resentment and discontent especially if the promoted officer is to receive protection. It is but legitimate, therefore, that the officers of the "listed" class should be on the same footing about their rights as other members of the same service, or at any rate as the class of promoted men.

5. Moreover, at the time of their appointment, there was no question of the possibility of their salaries not being voted. In view of some apprehension in their minds caused by the constitutional changes, it is very necessary to ensure their protection by their being reappointed by the Secretary of State in Council. The right to appeal may give them security, but judging from the laxity in general administration, resulting from Indianisation otherwise, it is not wise to take "sporting chances" in respect of service responsible for keeping law and order.

6. Another point raised in this connection is the date from which the officers so protected would be regarded as appointed to the Imperial Service. The Government of India are not in favour of giving retrospective effect to such appointments. Their reappointment by the Secretary of State in Council will take effect from the date of selection. If, however, the "listed" posts exceed the 11 per cent fixed, the incumbents over and above it will not be members of the Imperial Service, unless and until that percentage is increased with the sanction of the Secretary of State.

7. As regards the doubt whether the grant of that protection to the Police would cause any embarrassment *vis-a-vis* the members of the other Provincial Services the Local Governments were not unanimous in their opinion. But the Government of India strongly feel that the case of the police is fundamentally different from that of any other service in that it is invariably subjected to the onslaughts from the Legislative Councils. The officers promoted to the Indian Civil Service still retain their Provincial identity while the Police officers become full members of the Imperial Service. The grant of protection to the police officers

does not preclude members of other services from seeking such rights. If in any other service promotion from subordinate ranks to the Imperial service is an approved form of recruitment, then it would be up to that service to take up the question itself and decide on its merits.

8. The Government of India have resolved to address the Secretary of State recommending that the Police Officers appointed to the Imperial Service otherwise than by the Secretary of State in Council and by promotion from the Provincial ranks, should be reappointed by the Secretary of State in Council so that they may also enjoy the same privileges as other members of the Imperial Police Service. I am to enquire if the Provincial Governments will agree to such an action being taken.

Yours faithfully,

.....

*Secretary,
Home Department.*

GENERAL HINTS

1. Provincial Governments replying to the letter from the Government of India, Home Department stating their acceptance of the principle besides the idea of requesting the Secretary of State in Council to reappoint those officers, promoted from the Provincial Police Service to the Imperial Service.

2. The Government of Bihar and Orissa do not accept the proposal. Their reasons proved to be incorrect.

3. The solution offered by the Madras Government, and the impracticable nature of legislation for protection.

4. Concession to be extended to officers holding "listed" posts. The opinion of the Provincial Governments on the one hand, and that of the Government of India, on the other.

5. Unwise to take "sporting chances" with a service responsible for the maintenance of law and order.

6. No question of retrospective effect.

7. Grant of protection to the Police cannot and should not excite the jealousy of the other services, as the case of the Police is fundamentally different.

8. Government of India resolved to address the Secretary of State on the proposal, and enquiry as to the Local Governments' agreement to such an action being taken.

Note :—Candidates are expected to make out a well reasoned out draft, and as a condition precedent to it, they have to map out the premises and the conclusions derived from them. in Mr. Gwynne's note.

S. A. E.
PRECIS AND DRAFT
JULY 1951

Time allowed—3 hours.)

(Full Marks—150.
Marks

(I) Give a brief precis of the correspondence reproduced at the end of the notes below. 90

(II) In the light of the correspondence and on the basis of the notes and orders prepare (i) a draft amendment to Article 459 of the Civil Service Regulations, and (ii) a draft letter forwarding the same to the Secretary of State for India for his approval. 60

Notes in the Government of India.

1. In Government of India, Finance Department, letter No. 385, C.S.R., dated the 7th April, 1915, Local Governments and Administrations were consulted on the proposal of the Government of Madras that Article 459 (*vide* Annexure below), Civil Service Regulations, may be amended so as to provide that retirement at 55 should be the rule and the retention in service after that age the exception. The Local Governments, etc., were at the same time asked to say whether the rule, as it stands, had in practice, caused any serious administrative inconvenience. They were also told that in proposing modifications (if any) of the Article in the direction suggested by Madras, due weight should be given to the fact that the additional pension charges involved in such amendment must not be disproportionate to the benefits which are likely to result from possibly increased administrative efficiency.

6. In the light of the discussions leading to the issue of the above letter and of the replies of Local Governments thereto, the following would seem to meet the case and is for consideration :—

- (1) The Local Government may ordinarily require to retire an officer who has attained the age of 55, an extension of service being granted in special cases.
- (2) The reference to non-effective charges in clause (b) of Article 459 may perhaps be omitted.
- (3) The penultimate sentence in clause (b) of the Article, which requires that reasons for enforcing the rule should be recorded, may be retained, it being added that reasons need not necessarily be communicated to the officer concerned. But the rule in Article 912 seems hardly necessary and may be omitted. It was laid down in 1872 with the similar object in view as led the Government of India, at the instance

of the Secretary of State, to add the proviso in question to Article 459 (b). It does not seem to have been noticed at the time the Secretary of State's despatch of 4th October, 1888, was received, that there was already a rule in existence which secured the object the Secretary of State had in view.

7. It was decided in Pro. B. Pay, March 1914, Nos. 198-99, that clauses (b), (c) and (d) of Article 459 must be read as ancillary to (a) and consequently covered by the power of delegation which (a) allows. It would be as well to embody the delegation in the form of a Note at the end of the Article so as to cover all the clauses, the second sentence in clause (a) being omitted.

8. A draft code correction on the above lines is submitted for approval, which may be circulated to other departments for concurrence or remarks. On return of the file, the Secretary of State, whose approval is necessary to the proposed amendment of the rule, may be addressed.

B.K.—5-6-16.

S.M.—9-6-16.

The only Provinces which express themselves against the amendment of Article 459, C.S.R., in the manner proposed by the Government of Madras are the United Provinces, Bihar and Orissa and Assam. The other Provinces are in favour of the Madras proposal though Bombay would retain the existing wording of the Article which, in their opinion, as well as that of the Chief Commissioner, N.W.F.P., gives local Government all the discretion required and need not for this reason be revised. In the majority of provinces no actual inconvenience is reported to result from the present wording of the rule, but they advocate a change partly in the interest of the efficiency of the public services and partly with a view to prevent blocks in promotion. It is admitted that the amendment of the Article on the lines proposed by Madras will add to the superannuation charges, but the provinces are generally of the opinion that the extra expenditure involved will be more than compensated by the improvement secured in administrative efficiency. As the bulk of the pension charges are Provincial, I doubt whether we need press the objection in regard to the growth of non-effective expenditure against the views of local Governments.

2. The Home Department may see in the first instance for remarks with reference to the local Governments' replies. If the views of the majority of the local Governments are accepted, I think that it is better that clause (a) of Article 459 should be amended on the lines originally proposed by Madras than in the manner suggested in paragraph 6 of the foregoing office notes. I think also that, in amending this clause, the case of ministerial

officers may be provided for specially as proposed by the Government of Punjab. The redraft of that clause proposed in paragraph 5 of the Punjab Government's letter may be adopted, and in other respects the amendments proposed in the office note may stand except that the sentence in clause (b) about the recording of reason may also be omitted.

3. The other departments may see after the Home Department have expressed their views and I agree that the change in rules will have to be reported to the Secretary of State.

A. V. V. Aiyar.—29-7-16.

I agree generally with the assistant Secretary. In view of Honourable Member's absence from Simla, Home Department may be asked kindly to advise at this stage.

G. Rainy.—31-7-16.

Home Department.

The only question is whether the revised rule goes far enough. I doubt if the revision will lead to any practical difference in the practice of local Governments, but as the main object was to strengthen the hands of those who wished to take a stricter view perhaps we may accept the revision as effecting that object.

W. Booth Gravely.—15-8-16.

I am not inclined to press for anything stronger than this, but I think it would be as well to keep the reference to reasons in writing, but to make the record of such reasons obligatory when the extension is granted instead, of, as at present, when it is refused. This would help local Governments without embarrassing them.

R. H. Craddock.—19-8-16.

Finance Department.

While the Finance Department need in no way object to the issue of instructions that reasons are to be recorded when extensions are granted, it is for consideration whether these instructions should be incorporated in the Article. If they are in the Article, they must be applied in audit, and this is a little incongruous since the objections to frequent extensions are entirely administrative and not financial at all.

G. Rainy.—29-8-17.

I agree with the action now proposed, but have the following remarks to make on the draft revise of Article 459 :—

- (1) There should be a more clear distinction between the case of ministerial officers and others. As regards

the latter, the man will ordinarily have to go on attaining the age of 55 and should only be kept on for special reasons. A ministerial officer, on the contrary, while he may be retired at 55, can be kept on so long as he remains efficient, subject to the 60 years rule.

- (2) Following the lines of decentralisation and delegation on which we have been working, it should be stated in the body of the Article that the power to deal with men on attaining 55 should be vested in the authority by which the appointment would be filled if it became vacant.
- (3) I agree with Deputy Secretary as to the Honourable Home Member's suggestion to require a recorded reason for keeping a man (other than a ministerial officer) on after the age of 55; but if any Honourable Colleague still wishes to press this point, I will not object.

W. S. Meyer.—30-8-16.

The revised draft is for Deputy Secretary's approval. The file then may go to the Home Department as proposed.

A. V. V. Aiyar.—18-9-16.

The special points to note are these :—

- (1) It seemed desirable to deal with ministerial and non-ministerial officers in separate clauses.
- (2) If the order about recording reasons is to find a place in the Article, it comes in best clause (b) of the draft.
- (3) The first two sentences of clause (b) of the existing Article have been omitted. The first sentence is no longer required and is indeed inconsistent with the first sentence of clause (b) of the revised Article. The second sentence also does not fit in well with the revised rule, and the exhortation it contains so far as it is relevant is too obvious to require special mention.
- (4) Clause (d) gives effect to Honourable Member's instructions in paragraph (2) of his note, dated 30th August, 1916.
- (5) The fourth sentence of existing clause (b) has become clause (f) with verbal modifications.

2. If Honourable Member approves the draft of the revised Article, Home Department may then see.

G. Rainy.—21-9-16.

W. S. Meyer.—21-9-16.

Home Department.

I agree, and will not press the point which, Mr. Rainy has pointed out, is rather administrative than financial. Also on further consideration I think that as the Article is now worded reasons for granting an extension will almost certainly be placed on record, either in the order itself, or in the correspondence on which the order is based.

R. H. Craddock.—29-9-16.

Finance Department.

The Home Department do not press for the retention of the second sentence in clause (b) of the revised draft and the sentence may accordingly be deleted. The other Departments may see before the amendment proposed is referred to the Secretary of State.

B. K.—10-10-16.

S. M.—10-10-16.

A. V. V. Aiyar.—11-10-16.

G. Rainy.—12-10-16.

Education Department.

Legislative Department.

Commerce and Industry Department.

Public Works Department.

Railway Department.

Revenue and Agricultural Department.

Foreign and Political Department.

Army Department.

Financial Adviser, Military Finance.

See in the Department of Education

A.B.—1-12-16.

Maharaj Singh.—1-12-16.

Legislative Department.

The effect of the new rule is to confine the change, if any, to officers other than ministerial: and in the case of ministerial officers to make extensions to be the rule rather than the exception. This, I imagine, is hardly what Madras intended, or what local Governments have been led to expect. In principle, however, I see no objection to the proposed new rule.

H. M. Smith.—1-12-16.

A. P. Muddiman.—1-12-16.

Department of Commerce and Industry.

This Department will no doubt agree to the draft amendment.

I. D. Elliott.—4-12-16.

A. H. Ley.—6-12-16.

Public Works Department.

The Public Works Department may accept the proposed revision of Article 459 of the Civil Service Regulations. It does not affect members of the Engineering establishment or civilian Under-Secretaries in the Public Works Departments of a Secretariate, in whose case retirement at 55 is compulsory, *vide* Article 650. (The Government of India are, however, authorised in special circumstances to grant an extension not exceeding three months in any one case of Chief Engineers.) Nor will it affect the Inspector-General of Irrigation, who is governed by special orders of the Secretary of State.

R.R.R.—5-12-16.

Perhaps Deputy Secretary might like to see this before it goes to the Secretary.

E. M. Duggan.—6-12-16.

A. J. R. Hope.—6-12-16.

F. C. Rose.—7-12-16.

Railway Department.

The amended Article 459, C.S.R., as given in the draft for approval may be accepted.

B. Stanely.—30-12-16.

Department of Revenue and Agriculture.

I agree, but as the provision for requiring the reason for enforcing retirement to be recorded is now omitted altogether we may ask Finance Department to consider whether the last five words of Article 912 of the C.S.R. should not also be omitted. They were always somewhat at variance with the provisions of Article 459, but now they will be diametrically opposed to them.

A. E. Gilliat.—2-12-16.

We may agree to the redraft of Article 459. As regards Article 912, I am not sure that this article is required at all, and we may invite Finance Department's attention to the point.

R. A. Mant.—4-12-16.

C. H. A. Hill.—9-12-16.

Finance Department.

It has already been decided to cancel Article 912. The Department of Revenue and Agriculture may see for information.

S. D. Gupta.—12-12-16.

Department of Revenue and Agriculture.

Seen in the Department of Revenue and Agriculture.

A. E. Gilliat.—14-12-16.

R. A. Mant.—16-12-16.

Foreign and Political Department.

The Foreign and Political Department may concur in the proposed redraft of Article 459.

T. G. B. Waugh.—7-12-16.

R. H. C. Trench.—8-12-16.

R. E. Holland.—8-12-16.

It might be as well to take the opportunity of providing that there shall be no appeal against the order of the local Government under these rules.

J. B. Wood.—18-12-16.

Army Department.

We may agree to the proposed amendment of Article 459—
C.S.R.

C. Tharl-Hughes,—11-2-17.

A. H. O. Spence.—13-2-17.

Financial Adviser.

Seen. No remarks.

E. B. Peacock.—19-2-17

Finance Department,

The other departments concur generally in the draft amendment. As regards the proposal of the Foreign and Political Department to provide that there shall be no appeal against the order of the Local Government passed under the rule referred to it is submitted that such a provision seems hardly necessary. Under the rule as it is proposed to revise it, the officers concerned would no doubt consider it futile to appeal, and even if they do, it would be possible to withhold the appeal under Rule 11 (12) of the memorial rules.

B. K.—16-4-17.

S. M.—17-4-17.

G. Rainy.—26-4-17.

Yes; but in order to reduce opportunities for appeals for extension of service on personal grounds I consider that in clause (b) of the draft Article 459, the last four words "except for special reasons" should be replaced by a provision to this effect, "except where unquestionable public grounds for retention exist, and there is no doubt as to the physical fitness of the officer."

W. S. Meyer.—27-4-17.

Annexure to Notes

Article 459 of the Civil Service Regulations as it stood prior to proposed amendment. —

- 459 (a) An officer who has attained the age of 55 may be required to retire by the local Government under which he is employed. The local Government may delegate this power, in respect of non-gazetted officers, to the authority which can fill up his appointment or can sanction his pension.
- (b) The rule should be worked with discretion in order to avoid depriving the state of the valuable experience of really efficient officers and adding unnecessarily to the non-effective charges. In the case of officers holding superior appointments, the standard of efficiency by which retention is to be decided is above the standard required in lower appointments. In every case in which the rule is enforced the reasons for enforcing it should be recorded. But no claim from an officer to compensation on account of the enforcement of the rule will be entertained.
- (c) Each such officer's case should be taken up when he is 55 years old and before the expiry of each extension of service. In every case the extension should be given for not more than one year at a time.
- (d) An officer who has attained the age of 60 cannot be retained in the service of Government save in very exceptional circumstances, and with the sanction of the local Government.

(1)

Letter No. 2935—Financial, dated 5th May, 1915, from the Chief Commissioner of Delhi to the Secretary to the Government of India, Finance Department.

I have the honour to acknowledge the receipt of your letter No. 385—C.S.R. of 7th April, 1915, dealing with a suggested amendment of Article 459 of the Civil Service Regulations and to state as follows.

2. I am not able to quote an instance in which the rule referred to has, in practice, caused any administrative inconvenience in Delhi; though I am aware of instances which have arisen elsewhere. At the same time, I consider that as a matter of principle the rule should be amended so as to provide that retirement at 55 should be the rule and the retention in service after the age the exception. The rule mostly comes under notice in connection with the retirement of Indian members of the Provin-

cial service. Very few of these officers take furlough, and they retain consequently little initiative or activity at the age of 55. This is specially marked in the case of those who have entered the Provincial service through the subordinate services. It is difficult in such cases to allege any definite ground why the officer should not continue in the public service; on the other hand, there is frequently a substantial advantage in replacing him by a younger and more active man. All branches of work are now-a-days carried on under considerable pressure and the administration is placed at a disadvantage by the retention of officers, who are not capable of hard and continuous application to their duties.

3. The adoption of the revised rule would of course involve a certain amount of financial loss. The exact amount would be difficult to compute, since it would be by no means the universal rule that officers would be retired at 55. There would be cases in which men with special qualifications would be retained. But though no exact calculation of profit and loss can be made, the position created by the revision of the rule would undoubtedly be sounder than that involved in the present procedure.

(2)

Letter No. 1575.—G., dated 24th June, 1914, from the Chief Commissioner, North-West Frontier Province, to the Secretary to the Government of India, Finance Department.

I have the honour to acknowledge the receipt of your letter No. 385—C.S.R. dated 7th April, on the subject of the suggested amendment of the rule contained in Article 459 of the Civil Service Regulations regarding the retirement of Government officers at the age of 55.

2. The rule as it stands has not in practice caused any administrative inconvenience in the North-West Frontier Province for a recognition of the drawbacks attendant thereon has confined the grant of extensions of service beyond the age of 55 years to rare cases. I consider that retirement at the age of 55 should be the rule, and retention in service, after that age is past, the exception, and it would seem desirable that this should definitely be laid down.

(3)

Letter No. 2069, dated 29th June, from the Secretary to the Chief Commissioner of Coorg to the Secretary to the Government of India, Finance Department.

With reference to your letter No. 385—C. S. R., dated 7th April 1915, on the subject of amending the rule contained in Article 459 of the Civil Service Regulations regarding the retirement of Government officers at the age of 55 years, I am directed to state that the Chief Commissioner agrees with the suggestion made by the Government of Madras in their letter

No. 438, dated 26th June, 1914, that retention in Government service after the age of 55 should ordinarily be regarded as a privilege to be enjoyed solely on proof of merit.

At the same time the Chief Commissioner thinks that the rule should be worked with some leniency and that the discretion now given need not be restricted. When the rule is enforced, it does not appear necessary to record reasons for doing so.

2. Till recently, Coorg has suffered from a chronic block in promotion owing to the paucity of better-paid ministerial appointments. Permanent vacancies were few and there has been a tendency to keep candidates working for very lengthy periods without any prospect of a permanent appointment. This is, however, being gradually ameliorated and the Chief Commissioner sees no reason to apprehend future difficulty, provided that the principle of granting extensions is recognised as subordinate to general efficiency.

(4)

Letter No. 2526, dated 6th July, 1915, from the Chief Secretary to the Government of Bombay to the Secretary to the Government of India, Finance Department.

I am directed to reply to Mr. Fell's letter No. 385—C.S.R., dated 7th April, 1915, in which the Government of India desire to be informed whether the rule contained in Article 459 of the Civil Service Regulations regarding the retirement of Government officers at the age of 55, as it stands, has in practice caused any serious administrative inconvenience in this presidency, and, if so, whether it is desirable that it should be amended so as to provide that retirement at 55 should be the rule and retention in service after that age the exception.

2. The article in question requires that extensions of service should be granted in order to retain the valuable experience of *really efficient* officers, and to avoid adding *unnecessarily* to the non-effective charges. I am to suggest that the words underlined are those on which it is important to lay stress, in order to appreciate properly the meaning of this article. The power to refuse extension is clearly not confined to cases in which the officer is positively inefficient. It extends to cases in which it is *necessary* to add to the non-effective charges, and this necessity may arise not only on account of the absence of real efficiency in the officer, but also in order to avoid a block or stagnation of promotion in the cadre to which he belongs. In this view the wording of the concluding portion of Article 912 of the Civil Service Regulations is in the opinion of the Governor in Council unfortunate, in so far as it gives the impression that there can be no other reason for not granting extension upto 60 years except inefficiency. It appears that the object of this article is merely to ensure that officers shall

not be refused extensions of service under Article 459 (a) without due consideration or reason assigned. It cannot be intended to impose upon Government an obligation, which it would be obviously impossible to recognise, to retain officers in the service after they have attained the age of 55 years even though reasons exist for considering their retention undesirable in the public interest. All needful regard has of course to be shown for the interest of deserving officials and of the tax-payer; but it does not follow that promotion should be allowed to stagnate, and that the efficiency of the administration should be impaired by keeping in employ and granting extensions to officers who have earned their pensions whose continued employment is not specially desirable until they are pronounced to be absolutely incapable of any further work. This interpretation of Articles 459 and 912 of the C.S.R. has been followed hitherto in this presidency and it gives to Government all the discretion that is necessary. The Governor in Council is therefore of opinion that the wording of Article 459 does not cause administrative inconvenience and that no modification of this article is required. He considers, however, that to prevent misunderstanding it is desirable that the wording of Article 912 of the Regulations should be slightly amended, and I am to suggest that the concluding words of this article should run as follows :—

“the order sanctioning retirement should be quoted and the reasons for it should be specified.”

(5)

Letter No. 2621.—S. dated 25th August 1915, from the Chief Secretary to the Government of the Punjab and its Dependencies to the Secretary to the Government of India, Finance Department.

With reference to your letter No. 385—C.S.R., dated 7th April, 1915, on the subject of the suggested amendment of the rule contained in Article 459 of the Civil Service Regulations regarding the retirement of Government officers at the age of 55 years, I am desired to report that the Lieutenant-Governor has consulted the Heads of Departments in the province on the subject mentioned in your letter

2. I am to point out that the general rules regarding retirement in the services not governed by Article 459 such as the Indian Civil Service, Military officers in civil employ, Statutory Civil Servants, the superior branch of the Public Works Department, the Indian Medical Service and the Survey of India, are based on the assumption—warranted by long experience—that ordinarily an officer's efficiency for the service of Government decreases after he has attained the age of 55 or in the case of the Indian Civil Service after 35 years service. Exceptions are, however, made in the case of officers who, by proved merit and efficiency, have

risen to certain high offices which they are allowed to hold up to the age of 60 or for 5 years from the date of appointment. Thus it may be taken that in these—which are the most important—services, retirement at 55 (or after 35 years' service in the case of the Indian Civil Service) is already recognised by Government as the rule, and an extension of service as the exception allowed only in case of proved efficiency.

3. It is not unreasonable to suppose that the circumstances of the service governed by the article are at least in the more responsible posts not materially different from those above referred to. However, a special enquiry has been made, and as regards the services now under consideration (such as the Police, Forests, Jail, Educational and Medical Services and the Provincial and Subordinate Civil and Public Works Department Services and all ministerial officers) there is a strong preponderance of opinion among the Heads of Departments and other officers consulted that officers, as a rule, deteriorate in efficiency after the age of 55, that extensions of service after that age, at least in the gazetted ranks, which the present rules embodied in Article 459 of the Civil Service Regulations encourage, cause embarrassment to the administration and discontent in the services, that as in the case of the other services mentioned retirement at 55 should be made the rule and extension the exception to be allowed only in the case of proved efficiency and in the interests of the public service.

It is important to note that though the Judicial Department might *prima facie* be regarded as one in which efficiency of officers would be less likely to deteriorate after the age of 55, the Honourable Judges strongly support the proposed amendment on the ground of efficiency, and hold that the keeping down of the pension charges is perhaps too dearly bought when it leads to discontent and discouragement among the juniors and also heart-burning among the seniors, few though they may be, whose prayers for extension are refused.

4. After mature consideration, the Lieutenant-Governor finds himself in agreement with these views as regards officers holding other than purely ministerial or inferior appointments, although he recognises that there are arguments of some force on the other side. Amongst those the argument which carries most weight is the financial one. In the case of graded services the premature retirement of an officer involves not only the payment of his pension but in many cases also the payment of an increased pension to his juniors. Thus in the Provincial Civil Service of this province the retirement of a fairly senior officer would entail an increased expenditure of something like Rs. 4,500 per annum, and as in the last 5 years extensions aggregating some 46 years have been granted to officers of this service, it may be calculated that the extensions

thus granted have saved a sum of at least 2 lakhs of rupees to the State in this one service in this Province alone, and if this is done, without loss of efficiency, the grant of such extensions is clearly to be commended. An average extension of 2 years' service in all departments in the province has been calculated to save no less than 2½ lakhs a year to the Provincial finances. The question, however, of the loss of money to the State has been faced already in the case of many of the most important services, and there is much to be said for the view that any additional pensionary charges resulting from the amendment of the rule will be more than counterbalanced by increased efficiency.

5. The Lieutenant-Governor would suggest therefore that the first sentence of Article 459 (a) of the Civil Service Regulations should be altered as follows :—

“ An officer, other than ministerial, who has attained the age of 55 *should* be required to retire by the Local Government under which he is employed, unless it considers that he is still thoroughly competent (physically, mentally, and morally) for the efficient discharge of his duties *and* that his retention in the service of Government is desirable on public grounds.”

“ A ministerial officer who has attained the age of 55 *may* be required to retire by the Local Government under which he is employed.”

While for Article 459 (b) he would substitute the following :—

“ In the case of officers holding other than ministerial appointments the standard of efficiency by which retention is to be decided is above the standard required in lower appointments. In every case in which an extension of service is granted, the reasons for granting it should, except in the case of ministerial officers, be recorded. No claim for an officer to compensation on account of the enforcement of the rule will be entertained.”

(6)

Letter No. 12629.—F. dated 27th September, 1915, from the Secretary to the Government of Bihar and Orissa, Finance Department, to the Secretary to the Government of India-Finance Department.

I am directed to acknowledge the receipt of Mr. Fell's letter No. 385—C.S.R., dated 7th April, 1915, in which, with reference to a suggestion of the Government of Madras regarding the amendment of the rule in Article 459 of the Civil Service Regulations, the Government of India enquire whether that rule, as it stands, has in practice caused any serious administrative inconvenience and whether, if so, it should be amended so as to provide

that retirement at 55 should be the rule and retention in service after that age the exception.

2. In reply I am to say that, since the formation of this province, no inconvenience has been experienced in applying the provisions of Article 459 of the Civil Service Regulations, and the Local Government and the officers to whom the power has been delegated has never had any difficulty in enforcing the retirement at the age of 55 of officers who are no longer efficient. The present rule has been in force for many years; and so long as the same principles are followed in applying it, it is difficult to see how it can be held responsible for blocks in promotion, which, when they occur, must be due to other causes, such as over-recruitment in certain years. Promotion would of course be accelerated if retirement at 55 were made the rule, but the same consideration might be adduced in favour of a further reduction in the age of retirement.

3. If it is thought that there is sometimes a tendency to grant extensions too freely under the present rule, the Lieutenant-Governor in Council is of opinion that the danger would be sufficiently against by the substitution of the following for the first sentence in sub-clause (b) of Article 459 :—

“The rule should be worked with discretion. Officers who are not fully efficient, both physically and mentally, should, under no circumstances be retained, but care should be taken to avoid depriving the State of the valuable experience of really efficient officers.”

(7)

Letter No. 2522-II-19-10, dated 29th September, 1915 from the Chief Secretary to the Chief Commissioner, Central Provinces, to the Secretary to the Government of India, Finance Department.

I am directed to refer to Mr. Fell's letter No. 385—C.S.R., dated the 7th April, 1915, forwarding a copy of letter No. 438, dated the 26th June, 1914, from the Government of Madras, on the subject of the amendment of the rules contained in Article 459 of the Civil Service Regulations regarding the retirement of Government officers at the age of 55 years.

2. The Government of India enquired whether the rule as it stands has in practice caused any serious administrative inconvenience in the Central Provinces, either by embarrassing the Administration in cases where it desires to retire an officer at the age of 55 or by causing blocks in promotion or in any other way, and if this is so, whether it is considered desirable that Article 459 should be amended so as to provide that retirement at 55 should be the rule and retention in service after that age the exception.

3. In reply I am to say that the Chief Commissioner has consulted a number of officers in various departments upon this subject, and while it is admitted that no inconvenience has been caused in practice by the wording of the rule in Article 459 as it stands, there is a general consensus of opinion in favour of adopting an amendment on the lines suggested by the Government of Madras. So far as his experience in the Central Provinces goes, Sir Benjamin Robertson agrees that the rule in question has not involved inconvenience. The working of the rule depends in the main upon the interpretation put upon the term "efficiency" and the standard of efficiency demanded before extensions are granted. It has been the practice of this Administration, in considering the list of persons attaining the age of 55, submitted in accordance with Article 463 of the Civil Service Regulations, to invite the recommendations of the departmental authorities in the case of each officer. And while the term "efficiency" has been construed in a broad and comprehensive manner, it has been specially insisted on that the standard of efficiency required should be a satisfactory one. Again the provision in clause (b) of the present rule that no claim from an officer to compensation on account of the enforcement of the rule will be entertained, ensures that the view taken by the local Government cannot be challenged, so that in practice the rule as it stands can be worked so as to give effect to the wishes of Government whatever they may be in each particular case. At the same time, the inconvenience of having to record the reasons for retiring an officer is obvious, especially in the case of an officer who has done good work and is on the borderline of efficiency, and, as the rule already gives full discretion to the local Government in deciding whether an extension should or should not be given, the Chief Commissioner would prefer that this provision, which appears to be generally unnecessary and is in particular cases invidious, should be abolished.

4. Further, Sir Benjamin Robertson sees no reason why this Article, which does, as has been shown, in actual practice give full power to the Local Government to give or withhold extension of service, should be so worded as to appear to fetter or trammel this discretion in any way. It would seem sufficient that the article should set forth briefly the more important points which might be taken into consideration in arriving at a decision in each case, without specifying any definite condition calculated to bias the deliberation or prejudice the decision. With this view, I am to suggest that clause (b) of Article 459 of the Civil Service Regulations might then be amended on the following lines :—

- (b) "The rule should be worked with discretion in order to avoid, on the one hand, the premature loss to the State of the valuable experience of a really

3. In reply I am to say that the Chief Commissioner has consulted a number of officers in various departments upon this subject, and while it is admitted that no inconvenience has been caused in practice by the wording of the rule in Article 459 as it stands, there is a general consensus of opinion in favour of adopting an amendment on the lines suggested by the Government of Madras. So far as his experience in the Central Provinces goes, Sir Benjamin Robertson agrees that the rule in question has not involved inconvenience. The working of the rule depends in the main upon the interpretation put upon the term "efficiency" and the standard of efficiency demanded before extensions are granted. It has been the practice of this Administration, in considering the list of persons attaining the age of 55, submitted in accordance with Article 463 of the Civil Service Regulations, to invite the recommendations of the departmental authorities in the case of each officer. And while the term "efficiency" has been construed in a broad and comprehensive manner, it has been specially insisted on that the standard of efficiency required should be a satisfactory one. Again the provision in clause (b) of the present rule that no claim from an officer to compensation on account of the enforcement of the rule will be entertained, ensures that the view taken by the local Government cannot be challenged, so that in practice the rule as it stands can be worked so as to give effect to the wishes of Government whatever they may be in each particular case. At the same time, the inconvenience of having to record the reasons for retiring an officer is obvious, especially in the case of an officer who has done good work and is on the borderline of efficiency, and, as the rule already gives full discretion to the local Government in deciding whether an extension should or should not be given, the Chief Commissioner would prefer that this provision, which appears to be generally unnecessary and is in particular cases invidious, should be abolished.

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- (b) "The rule should be worked with discretion in order to avoid, on the one hand, the premature loss to the State of the valuable experience of a really

efficient officer, and on the other hand, the needless retention, to the detriment of the prospects of the junior members of his service, of an officer who has possibly passed his maximum period of efficiency. In the case of officers holding superior appointments, the standard of efficiency by which retention is to be decided is above the standard required in lower appointments. No claim from an officer to compensation on account of the enforcement of the rule will be entertained."

5. The rule, as thus redrafted, would give unfettered discretion to the Local Government to decide the cases of individual officers as they arise in accordance with the particular circumstances of each case. Reference to non-effective charges has purposely been omitted from the redraft suggested. The Chief Commissioner doubts whether in practice the financial effect of the decision is ever directly considered, and whether in fact it ought to be considered in comparison with the much more important reasons which should determine the decision. So far as the Central Provinces practice is concerned the modification of the article in the direction proposed would not, as has been shown involve any considerable divergence from the present practice, nor would an amendment on these lines be likely to involve any appreciable addition to the non-effective charges on account of pensions.

6. Finally, I am to remark that clause (c) of this Article as it stands appears to be somewhat ambiguously worded and I am to suggest that the last sentence might be amended so as to read :—

"In every case in which an extension is given, it should be given for not more than one year at a time."

(8)

Letter No. 492—T.E., dated 12th October, 1915, from the Secretary to the Government of Bengal, Finance Department, to the Secretary to the Government of India, Finance Department.

I am directed to refer to Mr. Fell's letter No. 385—C.S.R., dated 7th April, 1915, on the subject of an amendment of the rule contained in Article 459 of the Civil Service Regulations regarding the retirement of Government officers at the age of 55 years.

2. In reply, I am to observe that the administrative inconveniences indicated in the letter of the Government of India have been felt to a certain extent in this Province, as elsewhere. The grant of extensions to senior officers is a constant source of complaint among the junior officers and when they themselves reach the age of 55, they feel and claim that they should receive similar extensions as compensation for the retardation of their promotion. The portion of the rule which requires a written record of reasons

when an officer is ordered to retire at 55 has also caused not infrequent embarrassment. The consideration which should prevail, even under the present rule, in determining the retention of an officer after the age of 55 is solely his efficiency, but personal and private grounds are frequently put forward by the officer concerned and are not always treated as irrelevant by the officer who has to pass the order. The Governor in Council is strongly of opinion that the rule should be so framed as to eliminate the possibility of retention in service on purely private grounds and he desires to record his general concurrence with the proposals of the Madras Government.

3. I am to add that the Governor in Council desires that this expression of his opinion should, in so far as it relates to the superior services, be treated as provisional and subject to re-consideration in the light of the report of the Public Services Commission.

(9)

Letter No. 2529, dated 18th October, 1915, from the Secretary to the Government, United Provinces, Financial Department to the Secretary to the Government of India, Finance Department.

I am directed to refer to Mr. Fell's letter No. 385-C.S.R. dated the 7th April, 1915, with which was forwarded a copy of a letter No. 438, dated the 26th June, 1914, from the Government of Madras, suggesting the amendment of Article 459 of the Civil Service Regulations so as to make the retirement of Government officers at 55 the rule and retention in service thereafter the exception. The Government of India in forwarding the proposal enquired whether the present rule has in practice caused any serious administrative inconvenience, and, if so, whether amendment on the lines suggested by the Madras Government was considered desirable. It was also observed that if any modification of the article was proposed due weight should be given to the fact that the additional pension charges involved ought not to be disproportionate to the benefits which were likely to result from a possible increase in administrative efficiency.

2. I am to say that after consulting all Heads of Departments, Commissioners of divisions and District Judges the United Provinces, the Lieutenant-Governor cannot find any evidence of the rule having caused serious administrative inconvenience. All that is required in the rule is elasticity, which exists, and there do not appear to be any compelling reasons for radical change. Failing a fixed and invariable limit of age, the policy of Government must in His Honour's opinion vary with the times. There will be periods when it may be necessary to retire a good officer at the age of 55 because there are better men coming on : and there will be periods when a moderate officer must be retained in order to avoid an undue ratio of inexperienced juniors.

3. As regards the general merits of the case, I am to say that the main point at issue appears to be whether, when an officer has attained the age of 55, the presumption should be for or against his retention in service. At present, the presumption is in favour of retention: the Madras Government would have it on the side of retirement. It is, however, somewhat difficult to follow the reasons given by the Madras Government in their letter No. 438, dated the 26th June, 1914, in which they state that the sole criterion taken into account at present in deciding upon the retention of an officer is efficiency—mental and physical. Apart from a very exceptional block in promotion, it is difficult to see what other guide there could be, and the various reasons to the contrary which are suggested, but are not specified, are not likely to be comparatively strong ones. The Madras Government also deprecates the stress upon the saving of non-effective charges, but it seems extremely doubtful whether the importance of this point is exaggerated in actual practice. Medical Boards, for instance, take no cognizance of it, and it is questionable whether any departments dwell much upon it in considering the cases of extension and retirement which come before them.

4. On the other hand the whole trend of official life now-a-days especially among Europeans, is to lengthen, not to shorten, the period of an officer's efficiency. Greater material comforts, better medical treatment, greater facilities for leave and a better standard of social life, specially in the matter of temperance, all tend to add to the length of an officer's working years, and in the Lieutenant-Governor's opinion, the tendency to allow extensions will increase steadily. The present rule in Article 499, Civil Service Regulations, is working satisfactorily, and His Honour does not consider that any alteration is required. If, however, any change is to be made, Sir James Meston would restrict it to re-drawing clause (b) of the article so as to lay as much more stress on the interests of the efficiency of the public service as is consistent with the claims of economy. His Honour would in any case relieve the Local Government of the necessity for recording its reasons in cases in which retirement at 55 is enforced under the rule.

(10)

Letter No. 6382—F., dated 22nd October, 1915, from the second Secretary to the Chief Commissioner of Assam to the Secretary to the Government of India, Finance Department.

I am directed to acknowledge the receipt of Mr. Fell's letter No. 385—C.S.R., dated 7th April, 1915, in which the Government of India enquire whether the rule contained in Article 459 of the Civil Service Regulations, regarding the retirement of Government officers at the age of 55 years has, in practice, caused any serious

administrative inconvenience in Assam in cases where the Local Administration desires to return an officer at 55 by causing blocks in promotion or in any other way. The Government of India also enquire whether in the event of the rule having caused inconvenience, Article 459 should be amended so as to provide that retirement at 55 should be the rule and retention in service after that age the exception.

2. In reply I am to say that the existing rule has not caused any administrative inconvenience, either by embarrassing the Local Administration in cases in which it is desired to retire an officer at 55, or by causing blocks in promotion, or in any other way. The Chief Commissioner does not therefore see any reason why the existing rule should be altered at all.

(11)

Letter No. 876—2-R-12, dated the 26th October, 1915. from the Chief Secretary to the Government of Burma to the Secretary of India, Finance Department.

I am directed to refer to your No. 385—C.S.R., dated 7th April, 1915, relating to a suggested amendment of the rule in Article 459 of the Civil Service Regulations, which deals with the retirement of Government officers at the age of 55 years.

2. The Lieutenant-Governor cannot say that in Burma the rule has in practice caused, in any individual case, serious administrative inconvenience. This is because the Local Government has in any case the power of retiring an officer at 55 years of age. But His Honour has no doubt that the working of the rule has been quite different from what it would have been if clause (b) of Article 459 had not been in existence. In view of that clause the Local Government feels itself constrained to decide individual case on a consideration of the officer concerned and of the non-effective charges, rather than a consideration of the efficiency of the service to which the officer belongs. Sir Harvey Adamson has no doubt that the extensions of service beyond 55 years that are given so frequently in the Provincial Civil and Police services cause much disappointment to junior officers and are on the whole detrimental to the services. His Honour thinks that the addition to the non-effective charges is a small matter as compared with the efficiency of the public service; and he thinks that the discretion of the Local Government ought not to be fettered by any general principles such as those contained in clause (b) of the Article.

3. On these grounds, the Lieutenant-Governor is in favour of the amendment suggested by the Government of Madras, namely, that the rule should be altered so as to make retirement at 55 years the rule and retention after that age the exception.

ANSWER TO JULY 1951 QUESTION PAPER

I. PRECIS

Subject :—Proposal to amend Article 459 of the C. S. R. for retiring Government Officers at the age of 55.

The Government of India, Finance Department, in their letter No. 385 - C. S. R., dated the 7th April 1915 consulted the Local Governments and Administrations on the proposal of the Madras Government to amend Article 459 of the C. S. R. so as to provide that retirement at 55 should be the rule and retention in service after that age the exception, and desired them to state whether the rule in operation has caused any serious administrative inconvenience and whether it might be amended as suggested by the Madras Government. In proposing any modifications of the Article, the Local Governments were told to give due weight to the fact that the additional pension charges involved in such amendment should not be disproportionate to the benefits likely to result from possible increased administrative efficiency.

2. The replies received showed that no administrative inconvenience was experienced by the Provincial Governments except those of the Punjab, Bengal and Burma. They observed that the rule caused embarrassment to the administration and discontent in the services. The Chief Commissioner of Coorg, the Government of the Central Provinces and the Government of Bengal felt the recording of reasons for retiring an officer at 55 to be either unnecessary, or inconvenient or embarrassing.

3. The only provinces which viewed the amendment with disfavour were the United Provinces, Bihar and Orissa and Assam. The Governments of Bihar and Orissa and of Assam could see no reason why the existing rule should be amended as there had never been any difficulty in enforcing the retirement at 55, of officers who were no longer active and efficient. The Government of the United Provinces pointed out how of late the trend of official life was to lengthen the period of an officer's efficiency under improved standards of social life and how the Madras Government's agreements in favour of amendment were not justifiable. The Local Governments were given all the discretion needed and so the Commissioner of the North-West Frontier Province as well as the Government of Bombay were in favour of retaining the present wording of the Article. The latter, however, would suggest a slight amendment of Article 912 by making it out that the order

sanctioning retirement should be quoted and the reasons for it specified. This would certainly prevent any misunderstanding that inefficiency was the sole reason for not granting extension.

4. On the other side of the picture, the Government of the Punjab while favouring the amendment on the proposed lines, pointed out that ordinarily an officer's efficiency decreased after he had attained the age of 55. The same idea was expressed by the Chief Commissioner of Delhi when he remarked that the officers at the age of 55 retained little initiative or activity. Naturally several amendments to Article 459 were suggested both in the interest of the efficiency of the public services and with a view to prevent blocks in promotion.

5. The Government of the Punjab would choose to distinguish between ministerial offices and others. An officer of the former kind might be retired at 55 or retained if his continued unflagging efficiency warranted, while an officer of the latter kind should be retired at 55 or might be kept on only under the conditions of the efficient discharge of his duties and the desirability of his retention of public grounds. The Government of Burma thought that the addition to the non-effective charges was a small matter in comparison with the efficiency of the public service, and that the discretion of the Local Government ought not to be fettered by any general principles such as those contained in clause (b) of the Article. The opinion of the Punjab and Central Provinces Governments inclined in the same direction, and the Government of the United Provinces also laid emphasis on the question of efficiency consistent with the claims of economy.

6. The Government of the Central Provinces further suggested that the rule should be worked with discretion in order to avoid, on the one hand, the premature loss to the State of the valuable experience of a really efficient officer, and on the other, the needless retention of an officer who had outgrown the period of efficiency which retention would be detrimental to the proposals of junior officers. The Government of Bihar and Orissa thought on identical lines with those of the Central Provinces. The Government of the Punjab expected that the standard of efficiency by which retention was to be decided in the case of non-ministerial officers should be above the standard required in lower appointments. Again the provision requiring reasons to be recorded was considered to be very embarrassing, and so, some of the provinces, viz., Central Provinces and Coorg would recommend the omission of it.

7. Certain ambiguities in the wording of the Article were also pointed out. With a view to avoid them the Government of the Central Provinces offered the suggestion that every extension

granted, should be for not more than one year at a time. The Government of Bengal was emphatic about the chief determinant of retention after 55 being efficiency and not private or personal grounds.

8. In regard to the effect of the amendment, the Chief Commissioner of Delhi remarked that the adoption of the revised rule would, of course, mean financial loss as more number of pensioners would be created. The exact amount of the expenditure would be difficult to compute, since retirement at 55 would not be the universal rule. But, as the Punjab Government pointed out, any additional pensionary charges would be more than counter-balanced by increased efficiency. This opinion was at least implicit in the statements made by the other Governments also.

Draft Amendment to Article 459

(a) (i) Ministerial officers who have attained the age of 55 may be required to retire, but ordinarily be retained in service so long as they remain efficient until they come under the provisions of clause (e).

(ii) The power to retain such officers after the age of 55 but not after 60 will be exercised by heads of departments, provided that extensions are limited to a period of one year at a time.

(b) Officers, other than ministerial, who have attained the age of 55, should ordinarily be required to retire, and should not be retained in service except where unquestionable public grounds for retention exist and there is no doubt as to their physical fitness. In enforcing this rule, care should be taken to avoid depreciating the state of the valuable experience of really efficient officers, and the standard of efficiency governing retention is above the standard required in lower appointments.

(c) Each officer's case should be taken up when he is approaching the age of 55 and before the expiry of each extension of service. In any case, the extension should be given for not more than one year at a time.

(d) An officer who has attained the age of 60 cannot be retained in the service of Government save in very exceptional circumstances, and with the sanction of the Local Government.

(f) No claim to compensation from an officer who was required to retire under the provisions of this Article will be entertained.

IMPORTANT POINTS

1. The majority of the Provinces reported no administrative inconvenience as resulting from the present wording of the rule, but they advised a change in the interests of the efficiency of the services and partly also with a view to prevent blocks in promotion.

2. The Provinces which expressed themselves against the amendment : Punjab, Bengal and Burma. Their observation that the rule caused embarrassment to the Administration and discontent in the services.

3. To record reasons for retiring an officer at 55 was unnecessary ; so said the Governments of Coorg, Central Provinces and Bengal.

4. Opposition to amendment led by the United Provinces, Bihar and Orissa and Assam. In their view there was no difficulty in enforcing retirement at 55, hence no need for amendment and the arguments of the Madras Government not justifiable. They supported their view by drawing pointed attention to the decline of initiative and activity after 55.

5. Among those who favoured amendment, the Punjab Government drew a distinction between ministerial and other services and would demand a higher standard of efficiency than the one in lower services from non-ministerial officers instead of from all officers holding superior appointments. Clause to be modified so that an officer who had outgrown his efficient period should not be retained to the detriment of his juniors.

6. Reference to non-effective charges not to be made at all. Punjab, Central Provinces and Burma emphasized the omission of such a reference. Efficiency consistent with the claims of economy—the only criterion of retention.

7. Ambiguous wording should be avoided. Extension granted for not more than one year at a time. Retention on personal grounds should be sedulously avoided.

8. Effect of amendment : The fact of financial loss ; not without adequate compensation in increased efficiency.

II DRAFT

No.....of

GOVERNMENT OF INDIA

Finance Department

To

The Honourable the Earl of B.....

His Majesty's Secretary of State for India.

New Delhi, the.....19

Subject :—Proposed amendment to Article 459 of the C.S.R.
for retiring Government officers at the age of 55.

My Lord,

We have the honour to invite a reference to Finance Department's letter No. 385, C.S.R., dated the 7th April, 1915, addressed to Local Governments and Administrations, consulting them on the proposal of the Government of Madras to amend Article 459 of the C.S.R. so as to provide that retirement at 55 should be the rule and retention in service after that age the exception. They were asked to state whether the existing rule had caused any administrative inconvenience, and to give due weight to the fact that the additional pension charges involved in the event of any amendment, should not be disproportionate to the benefits likely to result from possible increased administrative efficiency.

2. The replies received showed that no administrative inconvenience was experienced by the majority of the Provincial Governments. The Provinces which expressed themselves against the amendment argued that there had never been any difficulty in enforcing retirement of an officer at the age of 55, and that under improved standards of social life the trend of official life was to lengthen the period of an officer's efficiency. While recommending the retention of the present wording itself, one of the Local Governments suggested a slight amendment to Article 912 by making it out that the order sanctioning retirement should be quoted and the reasons for it specified. This, of course, was meant to prevent the possible misunderstanding that inefficiency was the sole reason for not granting extension.

3. On the other hand, some of the majority of the Provinces which advised a charge drew pointed attention to the absence of initiative and activity after the age of 55 resulting in the decline of efficiency in the services. So they proposed several amend-

ments calculated to preserve the efficiency of the public services as well as to prevent blocks in promotion. The Government of the Punjab desired a distinction to be drawn between ministerial offices and others. The Governments of Burma, Punjab, Central Provinces and the United Provinces insisted on the question of efficiency consistent with the claims of economy and looked upon the addition to non-effective charges as a matter of no great consideration when compared with the former. Another Province suggested that the rule should be worked with discretion so that the valuable experience of a really efficient officer was not prematurely lost to the State or an officer who had outgrown the period of efficiency was retired. The Government of the Punjab expected that the standard of efficiency by which retention was to be decided in the case of non-ministerial officers should be above the standard required in lower appointments. As the provision requiring reasons to be recorded was considered to be embarrassing, some of the Provinces recommended an omission of it.

4. As regards the effect of the amendment, one of the provinces pointed out the great financial loss and the difficulty of computing the exact amount, but another perceived the fact that any additional pensionary charges would be more than counter-balanced by increased efficiency.

5. In the light of the suggestions made and modifications signified by the Local Governments, Article 459 of the C. S. R. has been amended and the amended version enclosed for your Lordship's kind perusal and approval.

We have the honour to be,
My Lord,

Your Lordship's most obedient humble servants.

Schedule of papers :

Copy of letter to all Local Governments and Administrations,
No. 385 C. S. R., dated the 7th April 1915.

Copies of letters from all Local Governments and Administrations.

Proposed amendment of Article 459 C. S. R.

Note.—Since the post of Secretary of State for India has been abolished ever since we attained independence, this form is not in vogue. However, to secure a sense of completeness this specimen draft has been given.

S. A. E.

JANUARY 1952

(Time allowed—3 hours.

Maximum Marks 150)

Marks

I. Prepare a brief precis of the following correspondence

90

II. Draft a letter to the Secretary of State summarising the views of the various Provincial Governments and of the Public Service Commission and recommending the proposals contained in the reply to the Public Service Commission, for the approval of the Secretary of State. 60

I. Letter from the Government of India, Finance Department, to all Provincial Governments, No. 85-C.S.R., dated the 22nd January, 1924.

I am directed to state that the Secretary of State has asked for the considered views of the Government of India on the following four points enumerated in para 5 of his despatch No. 31, Financial, dated the 2nd August, 1923 :—

- (a) Whether, for the sake of uniformity, members of the Police Service should be allowed to count war service rendered after attaining the minimum age of appointment.
- (b) Whether members of the Public Works Department (Engineers), Telegraphs, Forests and Geological Services, should be allowed to count like other Services, upto four years' war service, and, if so,
- (c) Whether any reduction from 4 years should be made in case where members of these services retire voluntarily with less than 25 years of service, and if so,
- (d) Whether the full concession of 4 years should be allowed in cases of invaliding with less than 20 years' service.

2. As the matter is one of considerable importance to Provincial Governments, the Government of India would be glad to have their views before they form their own conclusions. Meanwhile, I am to communicate the following remarks :—

- (1) In paragraph 3 of the despatch it is stated that in the case of the Police the concession admits only of war service rendered after attaining the *maximum age*

of appointment coming for pension. Since a police officer may count only one year if his age on the 1st August preceding the date of joining appointment was 22 years, in some cases the effect may be to restrict qualifying service to service rendered after attaining 21 years, the *maximum* age of appointment. Under the orders as they stand, however, war service rendered *at any age* can apparently be counted and it has been suggested that the adoption of the rule proposed by the Secretary of State might, by excluding service rendered before the age of 19, have the effect in certain cases of withdrawing an existing privilege. On the other hand, it has been represented that the present orders do not give full effect to the intention of the concession, which is to place "service" officers in the position which they would have held if they entered the service by open competition at normal ages. It appears that the average age at which the officer recruited by competition joins his appointment in India is about 20 and it has been suggested that a preferable alternative to the Secretary of State's suggestions would be to retain the principle of the present concession but to liberalise it by making it applicable one year earlier as indicated below :—

Age of candidates on 1st August Service counting preceding date of reporting in for Pension. India.

Under 21 years	...	...	Nil
21 years and under 22 years...			Upto 1 year.
22 years and under 23 years...			Upto 2 years.
23 years and under 24 years...			Upto 3 years.
24 years and over	...	...	Upto 4 years.

- (2) In so far as the 25 years' pension is concerned there is *prima facie* no reason for differentiating against the four services specified and members of those services might, like others, be allowed to count service up to 4 years.
- (3) It has been represented on the one hand that if an officer of one of these services retires voluntarily between 20 and 25 years' service there is no logical reason for reducing the maximum period of war service which may be counted, since he would have counted all his service for pension if he had joined

his civil appointment at the normal age instead of undertaking military service. On the other hand, it has been suggested that to allow the maximum of 4 years would be a somewhat liberal concession and that there could be no just cause for grievance if a reduction were made since it rests with the officer himself to decide whether to retire or not with less than 25 years' service. On this view the period might reasonably be reduced by one year.

- (4) Here also, as in the case of the 27-year pension there is *prima facie* no sufficient reason for differentiating between some services and others.

3. I am to request that the Government of India may be favoured with your views at an early date.

II. Letter from the Chief Commissioner, Delhi, No. 941, Financial dated the 21st February, 1924.

In reply to your letter No. 85-C.S.R., dated 22nd January, 1924, on the subject quoted above, I have the honour to say that in my opinion the first two questions in para 5 of the Secretary of State's despatch No. 31—Financial, dated the 2nd August, 1923, should be answered in the affirmative. There does not seem to me to be any defensible ground on which the war service rendered by an officer who subsequently joined the Indian Police, after the minimum age prescribed for entry to that Service, should be in any way curtailed when no such reduction is made in the case of other Services. In regard to the third question I do not advise the imposing of any petty reductions of war service as counting for pension upon officers retiring voluntarily between 20 and 25 years' service. All war service, up to the limit of 4 years, rendered by officers who were able and willing to join His Majesty's Forces during the war should be treated as on all fours with any civil service that might have been rendered but for the War. It follows from this view that the answer to the fourth question also should be in the affirmative, and that in this respect all the Civil Services should be treated alike.

III. Letter from the Secretary to the Chief Commissioner of Coorg, No. 1019-237-08, dated the 20th March, 1924.

With reference to your letter No. 85-C.S.R., dated the 22nd January, 1924, I am directed to say that the Chief Commissioner agrees with the more liberal proposals suggested in para (2) 1 and (2) of the letter under reference. The proposal in para 2 (3) to reduce the maximum limit to 3 years in the case of pensions for less than 25 years' service seems reasonable and should be adopted. The full concession should be allowed in all cases of invalid pensions.

IV. Letter from the Chief Secretary to Government, Central Provinces, No. 1398-675-III, dated the 31st March, 1924.

In reply to the Government of India, Finance Department, letter No. 85, C.S.R., dated the 22nd January, 1924, on the subject of counting of war service for pension under the civil rules, I am directed to communicate the views of the local Government as follows :—

- (1) With reference to para 3 of the Secretary of State's despatch and para 2 (1) of the letter under reference, the local Government considers that the alternative suggested by the Government of India is preferable to the rule suggested by the Secretary of State viz., that members of the Police Service should be allowed to count war service rendered after attaining the minimum age of appointment. The local Government is of opinion that the latter rule will have the effect of unduly liberalising the existing concession, as the minimum age for entering the Indian Police Service is comparatively low, viz., 19.
- (2) With regard to para 5 (2), (3) and (4) of the Secretary of State's despatch and para 2 (2), (23) and (4) of the letter under reference, the local Government considers that the decision should be guided by two considerations, viz., that (1) the intention of the concession of counting war service for pension under civil rules is undoubtedly to place "service" officers in the position which they would have held if they had entered the service by open competition at normal ages, and that (2) there is no good reason why any discrimination in this respect should be made between the four services mentioned, viz., the Indian Police Service, the Indian Service of Engineers, the Indian Forest Service, the Indian Geological Service and the Indian Telegraph Service.

Having regard to these considerations the local Government is of opinion that :—

- (1) In so far as the 25 years' pension is concerned, members of the four services specified should be allowed to count service up to 4 years.
- (2) No reduction from four years should be made in cases where members of these services retire voluntarily with less than 25 years' service, but after 20 years' service.
- (3) There is no sound reason why the full concession of four years should not be allowed in cases of invaliding with less than 20 years' service.

It is understood that the 20 and 25 years' service after which retirement is permissible will be inclusive of the period of war service allowed to count for pension.

2. I am to add that while considering that no officer should be penalised on account of his inability to obtain entry into a service at the normal age on account of service in the war, the local Government sees no reason why he should be permitted to count for pension any service which he could not have counted even if he had joined the department to which he belongs on the earliest possible date. In the Public Works Department, for instance, when the minimum age limit is 22 years on the 1st August of the year in which the appointment is made, appointments are actually made with effect from the 1st October from which date an officer ordinarily counts his service for pension. Members of this Service should, therefore, be permitted to count for pension up to four years' war service rendered after the 1st October of the year in which they attained the age of 22 years on the 1st August. Though the dates specified may not be applicable to the other services, the local Government is of opinion that the principle is capable of application in respect of these services also.

V. Letter from the officiating Chief Secretary to the Government of Assam, No. 2597, F.M., dated the 16th April, 1924.

I am directed to acknowledge the receipt of Mr. Macleod's letter No. 85-C.S.R. dated the 22nd January, 1924, on the subject of the counting of war service for pension under civil rules. In reply, I am to say that His Excellency the Governor in Council is of opinion that the present unsatisfactory position can only be improved by applying the same rules to all services. He considers that war service, provided that this was rendered after the minimum age of appointment, where there is such a minimum, should be permitted to count for all classes of pension up to a period of four completed years.

VI. Letter from the Chief Commissioner, North-West Frontier Province, No. 5703F4-24-1924, dated the 30th April, 1924.

I have the honour to refer to Mr. Macleod's letter No. 85-C.S.R. dated the 22nd January, 1924, in which I was asked for an expression of my views on certain points raised by the Secretary of State for India in his despatch No. 31, Financial, dated the 2nd August, 1923.

Taking in serial order the points raised in para 5 of that despatch. I have the honour to reply as follows :—

- (1) I consider that all officers of the Indian Police Service deserve the most liberal treatment possible in respect of their war services and should be allowed to count towards civil pension the whole period of their military service, no matter at what age it was rendered. The military pension scale is considerably higher than that of the Indian Police Service, as there will be question of service on a lower pension scale being allowed to count towards a higher rate of pension. I fully realise that the intention of the Regulations is to place "Service" officers in the position which they would have held if they had entered the service by open competition at the normal age, but I still consider that these "Service" officers deserve even more liberal treatment than this.

The small further concession of allowing them to count their war service even when rendered before attaining the minimum age of appointment will not throw any great burden on the Government.

In this connection, I would point out the Secretary of State has already agreed to permit the three latest joined Police officers in this Province to count the whole of their pensionable service in the Indian Army towards Indian Police Pension, while at least two officers have already been permitted to count over six years of military service towards civil (Police) pension. For this reason, I would submit that it is impossible, for the sake of uniformity within the Department, to restrict to a maximum of four years the period of military service which is allowed to count towards civil pension.

- (2) I can see no reason why there should be any discrimination against members of the Public Works Department (Engineers), Telegraphs, Forests or Geological Services: members to these Services should be allowed to count their war service towards civil pension in just the same manner as members of the Indian Police or other Services. If it is not considered advisable to permit them to count the whole period of their war service, a maximum of four years should certainly be allowed.
- (3) I consider it inadvisable to make any reduction in cases where members of these services retire voluntarily with less than 25 years' service. The inevitable unpopularity of such an economy would more than

counterbalance any possible saving to Government which might arise therefrom.

- (4) For the same reason, I consider that it would be inadvisable to make any deduction from the full concession in the case of an officer who is invalided with less than 20 years' service. The period of war service which is held to be admissible should be treated in all respects as Civil Service.

VII. Letter from the Chief Commissioner, Ajmer-Merwara No. 725, dated the 12th May, 1924.

With reference to letter No. 85-C.S.R., dated the, 22nd January 1924, from the Government of India in the Finance Department, I have the honour to state that the existing orders can suitably be revised with a view to removing disparities of treatment in the application of the concession in question to the various services. I cannot fully understand the observations contained in para. 2 (1) of the letter from the Government of India but it would seem that, keeping this principle in view, the desired object would be achieved by allowing members of the Police Service to count war services rendered after attaining the minimum age of appointment. In the case of those services whose members are at present allowed to count only three years of their war services it appears to be reasonable to extend the concession and allow them to count up to four years. I am inclined to think that an officer voluntarily retiring with between 20 and 25 years of service might be permitted to count his war services up to the maximum of four years and that the full concession should be allowed in cases invaliding with less than 20 years' service.

VIII. Letter from the Secretary to Government of the Punjab, Finance Department, No. 77. S. F., dated the 14th May 1924.

With reference to Mr. Macleod's letter No. 85-I.S.R., dated the 22nd January, 1924, in which the views of the Local Governments are asked on the four points enumerated in para 5 of the Secretary of State's despatch No. 31, Financial, of 2nd August, 1923, I am directed to reply as follows :—

- (1) The Governor in Council agrees with the proposal of the Government of India contained in para 2 (1) of their letter under reference that the principle of counting war service for pension in case of members of the Police Service should be retained but liberalised by making it applicable one year earlier as indicated therein.
- (2) He agrees that the members of the Public Works Department (Engineers), Telegraphs, Forests and

Geological Services should be allowed to count like other services up to four years' war service.

- (3) He does not quite understand the justification for reducing the amount of war service because an officer retires early. It is by no means the case that early retirement is always voluntary, and if there are good reasons for allowing war service to count as service, he does not see why it should not count for all purposes.
- (4) For the same reasons he does not see why the war service should not count in the case of invaliding and that in full.
- (5) The Governor-in-Council presumes that the rights of ex-Army Service Officers will be maintained.

IV. Letter from Secretary to Government, Bihar and Orissa, Finance Department, No. 135, F. R., dated the 9th June, 1924.

I am directed by the Governor-in-Council to reply to your letter No. 85-C. S. R., dated the 22nd January, 1924, regarding the counting of war service for pension under Civil Rules.

2. On the point raised in sub-para (1) of para 5 of the Secretary of State's despatch No. 31, dated the 2nd August, 1923, the local Government support a solution on the lines recommended by the Secretary of State, viz., that officers of the Indian Police should be allowed to count war service rendered after a certain age.

As against the alternative suggested by the Government of India, in addition to the objection that uniformity of treatment as between different services is, with reason, desirable and the principle of a minimum age has been adopted in regard to other services generally, the principle of the existing concession, of which the Government of India suggest continuance, attaches what appears to the Local Government to be an altogether unjustifiable importance to the position in the calendar of an officer's birthday relatively to the 1st August, for instance, if two officers were sent out to India at the end of 1919, or early in 1920, the twenty-first birthday of one of whom fell in the last week of July, 1919, and of the other in the first week of August, the former would be eligible to count war service up to one year but the other not a day.

Nineteen years is, it must be admitted, a low age but the Governor-in-Council feels that, if any departure is made from the general principle of the minimum age for appointment to the Service concerned, it would, in effect, be putting a premium on abstention from war service in certain years. He accordingly

supports the proposal put forward in the Secretary of State's despatch that members of the Police Service should be allowed to count war service rendered after attaining the minimum age of appointment, subject, however, to the proviso that any officer who has already been able to count some of his war service under the interpretation of the existing orders in Mr. Macleod's letter under reply should not have the amount of such service reduced under the new method of calculation.

3. On points (2) to (4) in para 5 of the Secretary of State's despatch, the Local Government are not concerned with the Telegraphs and Geological Services. In regard to the Public Works (Engineers) and Forest Departments, the Governor in Council is in general agreement with the views indicated in Mr. Macleod's letter, *viz.*, that they should be allowed to count war service, like the other services, up to 4 years, except that no war service should count for a 20 years' pension and the maximum should be reduced to 3 years if an officer retires voluntarily with less than 25 years' service; but no reduction of the period should be made against an officer invalidated out with less than 20 years' service.

X. Letter from the Secretary to Government of Burma, Finance and Revenue Department, No. 35, M. 24, dated the 13th June, 1924.

I am directed to invite a reference to Mr. Macleod's letter No. 85-C. S. R., dated the 22nd January, 1924, asking for the views of this Government on the four points enumerated in para 5 of the Secretary of State's despatch No. 31, Financial, dated the 2nd August, 1933, regarding the counting of war service for pension under civil rules.

2. With regard to the first point I am to say that the Governor in Council considers that members of the Police Service should be allowed to count war service rendered after attaining the minimum age of appointment as in the case of other services.

His Excellency in Council can see no reason for, or justice in discriminating against the Police Service merely because members of that service are recruited at an earlier age. I am to observe, however, that both in the case of the Police Service and in the case of all other services the minimum age of appointment should, for the purpose in question, be taken as meaning the minimum age at which service can begin to count for pension, *i. e.*, in the case of the Police the average minimum age at which an officer can arrive in India.

3. As regards the second point His Excellency in Council is of opinion that the members of the four services in question, *viz.*, the Public Works Department (Engineers), Telegraphs, Forests,

and Geological Survey should have the same privileges in respect of counting war services, as other services, *i.e.*, they should be allowed to count up to 4 years' war service.

4. The principle involved in the consideration of the third and fourth points is the same. The whole basis underlying the grant of concession of allowing war service to count for civil pension is that if the officer had not been in military employ he would have joined his civil service and would have counted for civil pension the whole period of service performed in military employ, subsequent to the minimum age of entering the civil service concerned, as defined in para 2 above. This being so, His Excellency in Council can see no justification for making any reduction in the number of years of war service which may be counted for pension in the case of voluntary retirement before the completion of 25 years' service, and, *a fortiori*, in the case of retirement on medical grounds. In cases where an officer with war service is forced to retire for reasons of ill-health it is not improbable that his constitution may have been undermined by his war service.

XI. Letter from the Deputy Secretary to the Government of Madras, Finance Department, No. 320, dated the 8th July, 1924.

I am directed to communicate the views of the Government of Madras on the questions raised in Mr. Macleod's letter No. 85-C.S R., dated the 22nd January, 1924.

2. This Government are of opinion that the concessions granted to members of the Police Service should, as far as possible, be assimilated to those accorded to members of other services and to secure this object they consider that the proposal of the Government of India contained in para. 2 (1) of their letter is more suitable than that of the Secretary of State. They are also of opinion that so far as the 25 years' pension is concerned, the members of the Public Works Department and Forest Services, with whom alone this Government are concerned, should be allowed the concession admitted in the case of other services, of counting up to 4 years' war service.

3. As regards the question whether any reduction from 4 years should be made in cases where members of the Public Works Department (Engineers) and Forest Services retire voluntarily with less than 25 years' service, I am to say that the meaning of para 2 (3) of Government of India's letter is rather obscure. It is not clear whether the term "20 and 25 years' service" relates to service in the department, *i.e.*, excluding war service, or whether it includes also war service. The implication of the term "20-year pension" is not clear as the same pension is admissible for service ranging from 20 to 24 years. Whatever may have been the inten-

tions of the Government of India, I am to convey the opinion of this Government that there is no justification for making any discrimination between officers on the score of length of service, and to recommend that the full period of war service up to a maximum of 4 years be counted for purposes of pension in all cases.

4. In cases of invaliding of the officers mentioned above, with less than 20 years' service, this Government are of opinion that full concessions up to a maximum of 4 years' war service should be allowed.

XII. Letter from the Secretary to the Government of Bombay, Finance Department, No. 2934, C., dated the 22nd August, 1924.

I am directed to invite a reference to the letter from the Government of India, Finance Department, No. 85-C.S.R., dated the 22nd January, 1924, inviting the views of his Government on the points raised by the Secretary of State in connection with the counting of war service rendered by officers belonging to certain services towards pension under Civil Rules.

2. In reply I am to state that the Governor in Council generally agrees with the views of the Secretary of State. With regard to members of the Indian Police Service, I am to state that there is no reason why in the case of the police only Military Service rendered after the average age of entrants should count, while in the case of most other services military service after the minimum age of entry should count. I am, therefore, to request that the Police should be put on the same basis as other services and should be allowed to count war service rendered after attaining the minimum age of appointment, *i.e.*, 19 years.

3. With regard to the other points raised by the Secretary of State the Governor in Council agrees with the Government of India that there should be no differentiation between services in respect of the grant of the concession of allowing war service to count for pension. The members of the Services mentioned by the Secretary of State should therefore be allowed to count war service upto 4 years in all and 3 years if they retire voluntarily with 20 to 25 years' service. The Government of Bombay agree that these officers should be allowed the full concession of 4 years if invalided with less than 20 years' service.

XIII. Letter from the Secretary to Government, United Provinces, Finance Department, No. A. 1711, dated the 17th April, 1925.

I am directed to refer to Mr. Macleod's letter, No. 85-C.S.R. dated the 22nd January, 1924, and subsequent reminders on the subject mentioned above, in which this Government are requested

to state their views on the four points enumerated in para. 5 of the Secretary of State's despatch No. 31, Financial, of the 2nd August, 1923.

2. In reply I am to say that the Governor in Council agrees. with the proposals made in para 2 (1), 2 (2) and 2 (4) of Mr. Macleod's letter. In respect of para 2 (3), he considers that no reduction in the amount of war service should be made when officers retire prematurely either on medical grounds or voluntarily. If such a rule was made, officers with war service would be penalised since their total pensionable service would not be the same as if they had entered service by open competition at the normal age. Instances of such retirement are not numerous, and it is preferable to have one fixed rule.

XIV. Letter from the Secretary to the Government of Bengal, Finance Department, No. 305, T. F., dated the 6th May, 1925.

I am directed to refer to Mr. Macleod's letter No. 85-C.S.R., dated the 22nd January, 1924, asking for the views of this Government on the four points enumerated in para. 5 of the Secretary of State's despatch No. 31, Financial, dated the 2nd August, 1923, regarding the counting of war service for pension under Civil Rules.

2. The Government of India have suggested that a preferable alternative to the proposal referred to in point (1) would be to retain the principle of the present concession, but to liberalise it by making it applicable one year earlier. In regard to the second point, they have suggested that in so far as the 25 years' pension is concerned there is *prima facie* no reason for differentiating against the four services specified, and the members of these services might, like others, be allowed to count service up to 4 years. In regard to the third point, they are of opinion that the period might reasonably be reduced by one year in case the officer retires voluntarily between 20 and 25 years' service and that no war service should count for a 20 year, pension. Whereas, regarding the fourth point they consider that as in the case of 25, year pension, there is *prima facie* no sufficient reason for differentiating between some services and others.

3. In reply, I am to say that in view of the general principles laid down by the Government of India in their Resolution 2165 (Ests.), of the 15th September, 1921, and of the concessions granted to other services, specially the Veterinary Service, the Governor in Council would accept the proposal of the Secretary of State that members of the Police service should be allowed to count war service rendered after attaining the minimum age of appointment in preference to the alternative suggested by the Government of India.

4. As regards point (2) the Governor in Council agrees with the views of the Government of India.

5. The general principle underlying the concession of allowing war service after the minimum age of recruitment to count towards pensions to place the officer in the same position as if this entry into the service has not been delayed by military service in the Great War and hence the Governor in Council is of the opinion that there is no cogent reason why, subject to the condition that the officer has the minimum actual service in a civil department of the Government necessary for earning a pension, the amount of military service which can count towards pension, superannuation and invalid, should depend upon the length of the officer's service in the Civil department. Further, in the absence of any cogent reason it appears inadvisable to adopt any arbitrary restrictions specially in view of the fact that no such restrictions have been placed upon officers joining the Indian Agricultural and Veterinary Services. In reply to points (3) and (4) therefore the Governor in Council would propose that Military Service in the Great War beyond the minimum age of recruitment should count for pension, both superannuation and invalid, up to a maximum of 4 years provided the actual service of the officer is not less than the minimum period for earning a pension under the new pension rules.

XV. Letter from the Deputy Secretary to the Government of India, Finance Department, to the Secretary, Public Service Commission, No. F, 224, C.S.R./24, dated New Delhi, the 7th March 1927.

I am directed to address the Public Service Commission regarding the question of counting war service towards pension under the Civil Rules. Copies of the relevant papers as well as a statement of the case are enclosed. The Government of India will be glad to be favoured with the views of the Public Service Commission at an early date.

Statement of the Case

Various concessions have been approved from time to time by the Secretary of State for India for officers of the All-India Services in the matter of counting war service towards civil pension. The Secretary of State in his despatch No. 31 (Financial), dated the 2nd August, 1923, reviewed the whole position and expressed himself as satisfied that no change was called for in the concessions approved for the Indian Civil Service. In respect of the other Services, however, he asked for the views of the Government on the following four points mentioned in para. 5 of his despatch :—

- (i) Whether, for the sake of uniformity, members of the Indian Police Service should be allowed to count service rendered after attaining the minimum age of appointment ;

- (i) Whether Members of the Public Works Department (Engineers), Telegraphs, Forest and Geological Services should be allowed to count, like other services, up to 4 years' war service, and, if so.
- (ii) Whether any reduction from 4 years should be made in cases where members of these services retire voluntarily with less than 25 years' and, if so,
- (iv) Whether the full concession of 4 years should be allowed in cases of invaliding with less than 20 years' service.

The Local Governments were also addressed to ascertain their views. Their replies are forwarded herewith for the information of the Commission.

XVI. Letter from the Secretary, Public Service Commission, to the Secretary to the Government of India, Finance Department, Simla, No. F. 12/27./S., dated the 24th June, 1927.

I am directed to refer to your letter No. F. 224/C.S.R./24, dated the 7th March, 1927, in which the Government of India have consulted the Public Service Commission regarding certain questions connected with the counting of war service towards pension under the Civil Rules, and to communicate the views of the Commission as under.

2. Regarding the first question relating to the Indian Police Service, the Commission consider that were it not for the desirability of assimilating the rules for the Police Service to those in force for other Services, there might be some advantage in prescribing the average age of appointment in preference to the minimum. Since, however, the majority of other Services are allowed to count war service rendered after the minimum age of appointment, the Commission see no reason for not applying a similar rule to the Police Service. They, therefore, recommend that members of the Indian Police Service should be allowed to count towards civil pension all war service rendered after attaining the minimum age of appointment up to a maximum of 4 years.

The Commission are not aware how this rule have been interpreted in the case of other Services, that is, whether the words "minimum age of appointment" mean the minimum age at which officers can join their appointments in India, which, in the case of the Police Service, would be some months over the age of 19. They recommend that the rule should be interpreted in the case of the Police Service in the same way as in the case of other Services.

The Commission think it is important that the introduction of this new rule in the case of the Police should be subject to the

proviso that no officer, who is entitled under the present rules to count more service than he should count under the new rule, should be adversely affected. They notice that the Chief Commissioner, North-West Frontier Province, in his letter dated the 30th April, 1924, which is one of the enclosures to your letter under reply, quotes the case of two officers who have been permitted to count over 6 years of military service civil pension. The Commission consider that it would be unfair to deprive any officer of the benefits which the present rule may confer.

3. Regarding the second question relating to the Public Works Department (Engineers), Telegraphs, Forests and Geological Services, the Commission do not know what reasons there may have been for allowing these services less liberal concessions than were accorded to other services, but they think that, unless strong reasons exist to the contrary, uniform treatment should be given to all services in this matter. This answer to this question is therefore, in the affirmative.

4. The third and fourth questions referred to the Commission are whether any reduction from 4 years should be made in cases where members of these Services retire voluntarily with less than 25 years' service; and if so, whether the full concession of 4 years' should be allowed in cases of invaliding with less than 20 years' service. Agreeing with the views generally expressed by local Governments, the Commission consider that the full concession of 4 years should be admissible in both cases. The object of the concession being to place officers in the same position with regard to pension rights as they would have been in if they had not rendered military service, the Commission see no justification for reducing the concession, either in the case of an officer who retires after less than 25 years' service or in the case of an officer before completing 20 years' service is obliged to retire on medical grounds.

JANUARY 1952

I Precis.

Subject :—Counting of War Service for Civil Pension.

In their letter No. 85-C.S.R., dated the 22nd January, 1924, the Government of India, Finance Department invited the views of the Provincial Governments on the four points raised by the Secretary of State in his despatch No. 31, Financial, dated the 2nd August, 1923, bearing upon the subject of the counting of War Service for pension under the civil rules :

(a) Whether, for the sake of uniformity, members of the Police service should be allowed to count war service rendered after attaining the minimum age of appointment.

(b) Whether members of the Public Works Department (Engineers), Telegraphs, Forests and Geological Services, should be allowed to count like other services, up to four years' war service, and, if so,

(c) Whether any reduction from four years should be allowed in cases where members of these services retire voluntarily with less than 25 years of service, and if so,

(d) Whether the full concession of four years should be allowed in cases of invaliding with less than 20 years' service.

2. In regard to these issues the Government of India observed that the present disparity in counting war service in respect of the police, after attaining the maximum age of appointment, namely, 21 years, operated under certain circumstances, to restrict qualifying service to service rendered after that age. The adoption of the rule proposed by the Secretary of State, which would in effect mean the counting of the War Service after the minimum age of appointment, would have the effect of withdrawing the existing privilege applicable to certain services where war service rendered at any age counted, by excluding service rendered before the minimum age. The intention of the concession was to place "service" officers in the position which they would have held if they had entered the service by open competition at normal ages, and therefore, the Government of India asked the Local Governments to consider the alternative to the Secretary of State's suggestion, whether the police might not count war service for pension from 21 to 24 years and over at one year for each year of increase in such age up to a maximum of four years. They felt that in respect of points 2 and 4, there was *prima facie* no reason for differentiating against the four services specified and that the members of those services might like others, be allowed to count service up to four years. But with regard to point 3 they referred to the arguments for and against such reduction : (a) The retiring officer would have counted all his services.

if he had joined his civil appointment at the normal age instead of undertaking military service; (b) On the other hand, as the retirement was voluntary, the officer should have no grievance if the period were reduced by one year. While holding the latter view, the Government of India finally observed that in any case no war service should count for a 20 year pension.

3. In their replies the Local Governments of Delhi, Ajmir, Bihar and Orissa, Burma, Bombay and Bengal stated that the members of the Police Service should be allowed to count war service rendered after the minimum age of appointment as in the case of other services. The Government of Bihar and Orissa and Burma remarked that the age of 19 was rather low; but they would not on that account alone discriminate against the police. The former government in particular suggested that if any departure was made from the general principle of the minimum age of appointment, it would, in effect, be putting a premium on absence from war service in certain years. The Government of Assam considered that only the war service rendered after the minimum age of appointment, where there was such a minimum, should be allowed to count. On the point of the minimum age of appointment, the Government of Burma observed that it meant the age at which service could begin to count for pension, that is, in the case of the Police the average minimum age at which an officer could arrive in India.

4. The Governments of Coorg, Central Provinces, North-West Frontier Province, Madras and United Provinces referred the suggestion of the Government of India to that of the Secretary of State. The Government of the Central Provinces were of the opinion that the suggestion of the Secretary of State would unduly liberalise the existing concession in the case of the Police, as the maximum age for entering that service is comparatively low. But the Chief Commissioner, North-West Frontier Province considered that the officers of the Indian Police Service deserved the most liberal treatment in respect of their war services and that they should be allowed to count towards civil pension their whole period of their military service, no matter at what age it was rendered. In his view, the military pension scale being considerably higher than that of the police, the small concession would not throw any great burden on the Government. He also cited some instances in which such a concession had actually been given in that province. The Government of Bihar and Orissa while supporting the proposal put forward in the Secretary of State's despatch, suggested a protective proviso that any officer who had already been able to count some of his war service under the interpretation of the existing orders should not have that amount of service reduced under the new method of calculation.

5. As regards the question whether the Public Works, Telegraphs, Forests and Geological services should be allowed to count like other services, all the local Governments were **unanimous in their opinion** that the members of all services should have the same privileges in respect of counting war service up to four years. The Government of Bihar and Orissa and Madras were concerned only with the Public Works Department and Forest Services. Again with regard to the question whether any reduction from the period of four years should be made where members of those services retired voluntarily with less than 25 years' service, most of the Local Governments with the exception of Bihar and Orissa, Bombay and Coorg regarded such a petty reduction, suggested by the Government of India, as unjustifiable. But the Central Provinces were of the opinion that this concession should be restricted to those who would retire after 20 years of service, and the Bengal Government would restrict it to those whose service was not less than the minimum duration of service for earning a pension under the new rules. The Government of the United Provinces pointed out that as instances of such retirement were not many, it was preferable to have one fixed rule.

6. The Government of Coorg, Bihar and Orissa and Bombay **concurred in the views** expressed by the Government of India, that the members of the four services should be allowed to count war service, like other services, up to four years, except that no war service should count for a 20 years' pension and the maximum should be reduced to 3 years, if an officer retired voluntarily with less than twenty years' service. There was a similar concurrence of views on the fourth point in the Secretary of State's Despatch, namely, that the full concession of four years should be allowed in cases of invaliding with less than 20 years' service.

7. Subsequently, the Government of India, Finance Department in their letter No. F. 224, C. S. R/24 dated New Delhi, the 7th March, 1927 addressed the Public Service Commission on the question of counting war service towards pension, enclosing copies of the relevant papers making a statement of the case, and asking for their views. The Public Service Commission communicated their views on the points raised in the Secretary of State's despatch.

8. They observed that the members of the Indian Police Service should be allowed to count towards civil pension all War service rendered after attaining the minimum age of appointment up to a maximum of 4 years. It was stated that were it not for the sake of uniformity, there might be some advantage in prescribing *the average age of appointment*, as suggested by the Government of India, in preference to the *minimum age*. The commission recommended that the rule of the *minimum*

age of appointment should be interpreted in the case of the Police service in the same way as in the case of other services. Referring to the views of the Chief Commissioner, North-West Frontier Province, they suggested that no officer should be deprived of the benefits which the rule in force at that time conferred.

9. As regards the second point relating to the P.W.D., Telegraphs, Forest and Geological Services, the Commission recommended a uniform treatment to all the four services. On the third and fourth points under reference, they agreed with the views generally expressed by Local Governments, and considered that the full concession of 4 years should be admissible in both cases, the object of the concession being perfect equality among all officers with regard to pension rights.

Points to be noted.

1. The Secretary of State raises four points in his despatch and invites the views of the Government of India. The latter address the Local Governments for their views, and on the receipt of the replies they refer the whole case to the Public Service Commission and invite their opinion.

2. The views of the Government of India in comparison with those of the Secretary of State. A critical analysis is desirable.

3. Points *one* and *three* evoking alternative proposals. Local Governments not unanimous.

4. Governments favouring the views of the Secretary of State: Delhi, Ajmer, Bihar and Orissa, Burma, Bombay and Bengal. Governments favouring the views of the Government of India:—Coorg, North-West Frontier Province, Madras and Punjab.

5. Reasons given by Provincial Governments for supporting their views.

6. Reduction suggested by the Government of India unjustifiable.

7. Restriction of the concession to those whose service is not less than the minimum period for earning the pension under the new rules; to those who would retire after 20 years of service. The Government of the United Provinces suggesting one fixed rule.

8. The views of the Public Service Commission—

(a) Police service allowed to count all war service rendered after the minimum age of appointment.

(b) Prescription of the average age of appointment.

(c) Minimum age of appointment to be interpreted in the same way for all services.

(d) A uniform treatment to all four services.

(e) Agreement with Local Governments on points 3 and 4: equality with regard to pension rights.

II. DRAFT

No.....of.....

GOVERNMENT OF INDIA,**Finance Department****To****The Honourable the Earl of B.....****His Majesty's Secretary of State for India,****New Delhi, Date.....19.....****Subject :—Counting of War Service towards civil pension.**

My Lord,

We have the honour to refer to Lord P.....'s despatch No. 31, Financial dated the 2nd August, 1923 relating to the subject of counting war service towards pension under the Civil rules.

2. As the matter is of great importance to the Local Governments also, we thought it appropriate to have their views before answering the despatch. We have also sought the opinion of the Public Service Commission in the matter. A copy of the whole correspondence is enclosed.

3. The first point raised in the despatch is whether for the sake of uniformity members of the police service should be allowed to count war service rendered after attaining the minimum age of appointment. We feel the imperative necessity of modifying the rule because of the apparent disparity which operates in counting war service by the various departments. We are conscious of the fact that in consequence of such modification, some difficulties would be experienced. In the case of the police where the minimum age is comparatively low, it would unduly liberalise the existing concession. Moreover, the acceptance of this proposal would virtually mean the withdrawal of the existing privilege enjoyed by certain services where war service rendered at any age counts by excluding service rendered before the age of 19. To avoid these difficulties and to place all service officers in the position which they would have held if they had entered service at normal ages, we desired the Local Governments to consider whether the alternative proposal would be acceptable, namely, that the Police might count war service from the age of 21 to 24 years and over at one year for each year of increase in such age up to a maximum.

4. The Local Governments were by no means unanimous in their opinions. The Governments of Coorg, Central Provinces, North-West Frontier Province, Punjab, Madras and United Provinces have pointed out the suitability of the latter suggestion. The other Governments as well as the Public Service Commission would liberalise the concession by making it applicable after the minimum age of appointment. Some of the Governments, Bihar and Orissa, Burma and Bombay have emphasised that the comparatively low age of appointment prescribed for the police should not be taken as a reason for discriminating against that service alone and that it might unhappily lead to putting a premium on abstention from military undertaking in certain years. In view of such consideration, we now agree with the majority of the Local Governments and the Public Service Commission and uphold the sanity of the Police Officers being allowed to count war service rendered after attaining the minimum age of appointment to a maximum of four years.

5. In the face of the instances cited by the North-West Frontier Province where some police officers have been allowed to count war service over 6 years, it is felt that if the modified rule is applied retrospectively to such cases it would reduce that period to the detriment of those officers. It would be unfair to deprive any officer of the benefits which the present rule may confer, and we, therefore, recommend a further provision in the Regulations to the effect that any officer, already counting more service under the operation of the existing orders, should not have that duration of war service reduced under the modified method of calculation.

6. As regards the interpretation of the phrase "Minimum age of appointment" the Government of Burma suggested that it should be interpreted as the minimum age at which service can begin to count for pension, that is in the case of the police the average minimum age at which an officer can arrive in India. This may be plausible but is not possible. We would rather agree with the Public Service Commission and counsel that the rule should be interpreted in the same way for the police as well as the other services.

7. The Local Governments are unanimously of the opinion that the members of the four services referred to in the Despatch, should have the same privileges in the matter of counting war service, as other services, up to 4 years. We agree with those views which have also been supported by the Public Service Commission. As regards the points whether any reduction from 4 years was to be made in cases of voluntary retirement, and whether the full concession of 4 years should be allowed in cases of officers invalided out, we thought at first that the period of 4 years might

reasonably be reduced to three since such retirement was discretionary. But as the number of such retirements may not be many and as the object of the concession is to place the officers in the same position with regard to pension rights which they would have held if they had not rendered war service, we endorse the opinion of the Local Governments and the Public Service Commission that no reduction of the concession in either of these cases be effected.

We have the honour to be,

My Lord,

Your Lordship's most obedient humble servants,

(1)

(2)

(3)

Schedule of papers :

Letter No.85-C.S.R. dated 24-4-24 to all Local Governments.

Letter No. 224, C. S. R/24 dated the 9th March, 1927 to the Public Service Commission.

Letter No. F. 12/27-S, dated the 24th June, 1927 from the Public Service Commission.

Note 1.—The whole case has been very beautifully analysed in the letter from the Public Service Commission. If that line of argument is closely followed and supported by reasons, you can easily make out a splendid draft.

3. In the draft elaborate references to individual Governments' opinions should be avoided. A considerable abridgement of them is desirable, especially in view of the time taken to read through the reply of the Government of India.

JULY 1952.

(Time allowed—3 hours. Maximum Marks—150)

Marks.

- I. Give a brief precis of the correspondence reproduced at the end of the notes below. 90
- II. On the lines suggested by Mr. H. W. Emerson in his notes dated 29-8-28 and 8-9-28, put up a draft reply to the Secretary to the Government of India, Home Department, New Delhi. 60

Notes in the Punjab Civil Secretariat.

Reference : Government of India, Home Department's Circular Letter No. F. 75/28, dated 4-8-1928, on the subject of probation of Indian Civil Service candidates selected in India.

Candidates selected at the open competition in India, and candidates selected in India otherwise than by open competitive examination, are required to proceed to the United Kingdom, on probation for a period of two years. During this period they undergo two examinations—the Intermediate Examination at the end of the first year of probation, and the Final Examination at about the end of the second year. The main subjects of these examinations are the various codes, etc., detailed in Government of India, Home Department's Notification No. F-433-27, dated 20th July, 1928, Rules for Competitive Examinations to be held in India.

2. The various proposals on which the views of the local government have been invited are :

(i) Whether in the case of candidates selected in India, a system of probation on the present lines should be maintained or abandoned,

(ii) Whether the probationary period should be extended to three years, and that the selected candidates should be required to take a degree at a British University,

(iii) Whether the system advocated by Sir Atul Chatterjee should replace the present system of probation.

3. The systems of probation and training are discussed in paragraphs 24-26 of the Islington Commission's Report. (i) and

(ii) above may be considered together. These were supported by the Public Service Commission in India as well as the Civil Service Commission in London, on the ground that it was essential that Indian officers of the I.C.S. should possess a real insight into British political institutions. Sir Atul Chatterjee has attempted to show in paragraphs (5) to (8) of his Memorandum that the present system is not only expensive, but fails to achieve its object. The Civil Service Commissioners have been so much impressed by the extensive experience that the High Commissioner has of the problem, and by the cogency with which he supports his conclusions, that they prefer his solution of the problem to that proposed by themselves and the Public Service Commission.

The separate system of probation in India and specialized study in England suggested by Sir Atul Chatterjee would, no doubt, be better than the existing system. The question of collective training being given to I.C.S. recruits on arrival in the Punjab, on the lines introduced by Sir Harcourt Butler, is being considered separately by the Chief Secretary.

R. L. 25-8-28.

The decision in this case seems to depend on the facts and in ignorance of the facts, it is difficult to make suggestions. Assuming that the facts stated in Sir Atul's letter are correct, then his conclusion must, I think, be accepted that the present system of sending Allahabad I.C.S. probationers to England for a course of two years not only fails to achieve its object, but tends to do more harm than good.

2. If it be further accepted that the present system of training in England for Allahabad candidates is not from the point of view of training as valuable as would be a course of collective training in India, then it seems to me to follow that the same applies with still greater force to the year's training in England which London I.C.S. Indian candidates have to do. In the case of the latter, the grounds for doing the training in England are not so cogent as in the case of the Allahabad candidates. It may be assumed that London I.C.S. Indian candidates have, in the majority of cases, passed at least three or four years in England, and that most of them have taken an English University degree. Previous to their one year's training they have thus acquired some knowledge of English Institutions, and have become familiar with some aspects at any rate of English social life. The additional year spent by them in England, while it may add to their knowledge, is not essential for what is regarded as the primary purpose of the English training of Allahabad probationers. The main question in their case, is whether the year's probation can best be spent in England or in India. Personally I am inclined to think, for the reasons

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given by Sir Atul in the case of Allahabad candidates, that given a proper system of collective training, it can be best passed in India.

3. There then remains only the English I.C.S. candidate, and assuming that the probationary period in England was abolished for all Indian candidates, I can see no reason for retaining it for English candidates. I think a large number of the English candidates chafe at this extra year in England and that they would prefer to get to work as soon as possible after they have passed the competitive examination. I believe also that a year's probation in India would do them far more good than a year's probation in England.

4. If, therefore, Sir Atul's proposal in regard to Allahabad candidates is accepted, I think the logical course is to extend it *mutatis mutandis* to all I.C.S. candidates, viz. :—

- (a) to make the age limits for the London and Allahabad examinations the same;
- (b) to require all successful candidates to do a year's probation in India under a system of collective training;
- (c) after the year of collective training, all candidates to undergo a further period of a year's training in their districts;
- (d) at about 4 or 5 years' service to require Indian Allahabad entrants to undergo a year's course of study in England as suggested by Sir Atul. I would make this compulsory for all Allahabad entrants and not merely for those specially selected.

5. With regard to the collective training in India, an important question is whether this should be on a provincial or an all-India basis. One difficulty in the way of a provincial basis would be the provision of efficient teachers. If the training were on an all-India basis this difficulty would be overcome. On the other hand, if the system is on all-India basis, the considerable advantage accruing to the student from the fact that he passes the first year in the province in which he will have to work, is sacrificed. Burma and the United Provinces have already centres of collective training intended for provincial service officers which could probably be extended for I.C.S. officers. In the Punjab, we have nothing of the sort at present, but my own impression is that sooner or later we shall have to make similar arrangements to those obtaining in United Provinces and Burma. So far as Revenue training is concerned, the necessity is already pressing owing to the fact that there are not sufficient settlements to provide the opportunity for training our Assistant Commissioners and extra Assistant Commissioners, and I intend to propose a collective course of Revenue training during the next cold weather.

6. Before I submit this to His Excellency, I should be grateful if Mr. Innes would give his personal views regarding the value of the present one year of probation to England to London passed candidates, and would also say whether, so far as his experience goes, the facts stated by Sir Atul correspond with his own experience in regard to Allahabad candidates.

H. W. Emerson, 29-8-'28.

Sir Atul Chatterjee's views seem to me absolutely sound. I must admit I have not had much personal experience of Allahabad entrants on probation, but such as I have had bears this out. The only value of the course (and the loss of this advantage will probably make its abolition unpopular with the entrants themselves) is its social value; two years' residence in England, enables an Indian afterwards, to meet, or live with, his English fellow officers with greater ease and confidence, and he also probably feels that it gives him a social advantage among his fellow Indians and adds to the prestige which should attach to him as a member of the I.C.S. I know of a case when, not long ago, an Indian nationalist on being asked why, if he affected to despise western institutions and life, he was sending his son to England to complete his education replied, that it was socially essential for the boy. This point, however, is met by Sir Atul's proposal for a latter course of training in England for Allahabad entrants, provided that this is, as suggested by Chief Secretary, compulsory for all.

2. As regards the one year course in England for London passed candidates, which I will discuss first from the point of view of the English probationer, it is perfectly true to say that a large number chafe at this extra year—in fact nearly all do. The candidate, after passing the entrance examination feels that another year will be an unendurable and unnecessary prolongation of his already protected education. On the other hand, once he is started on the course, he often realises that the year gives him a most valuable opportunity.

3. The actual course consists of language, law and history. The first two of these subjects could be taught a great deal better in India, and the last equally well. But the value of the year, it seems to me, lies in the opportunity it gives for reading books about Indian life, literature, political history, philosophy and religion. Only the really keen, no doubt, fully avail themselves of this opportunity, but all do in some degree. If the candidates were sent straight to India and started on a purely practical training, some breath of outlook would be lost.

4. I think, therefore, that if the change were made it would be desirable to keep the year's course no less general and preparatory than it is now, and not to make it one of departmental

training. No doubt a finally passed probationer who had undergone a severely practical course would be more immediately useful to the administration. But I do not think he will be more useful in the long run than one who had made some study of Indian civilisation in general. For this reason, I would also have the probationers centrally and not provincially trained.

5. On the whole I rather feel that the training in England should be retained. There is something in the academic atmosphere of the universities, which is more conducive to general theoretical study, and once in India the probationer would inevitably be more drawn to study of the practical questions which will be his direct concern during his life in India. Perhaps I attach too much importance to general study, but the opportunity which this year provides for is one which can never be recaptured in the stress of work in India. If its return be admitted, I think the year should be kept in England. If the year is to be devoted mainly to practical training, there is no doubt it would be better spent in India.

6. The London passed Indian probationers can I think be treated as the English probationers. Their case differs from the Allahabad entrants in that they have already spent some years in England and by then, for better or for worse, they have settled into some sort of *modus vivendi*. The extra year is not likely to unsettle them more than they have been unsettled already.

F. M. Innes. 5-9-'28.

Will His Excellency please see the preceding notes and the P.u.c. ? I agree with Mr. Innes that if the change suggested in my note, dated 29-8-28, is made, the first year's training in India should be more general and preparatory than departmental. His Excellency may perhaps wish to ascertain the views of some lately joined Assistant Commissioners. If so, I would suggest the following :—

Mr. Bhandhari.
Mr. Khosala.
Mr. Tandon.
Mr. Wakefield.
and Mr. Mac Farquhar.

H. W. Emerson. 8-9-'29.

Very interesting and important. I would also ask the I.C.S. Commissioners for their views.

G. F. de Montmorency, 9-9-'28.

The draft below may, besides Messrs. Bhandhari, Khosala, Tandon, Wakefield and Mac Farquhar, issue to the Commissioners, Jullundur and Rawalpindi Divisions.

H. W. Emerson. 10-9-'28.

(Notes end.)

No. 26292 (H—GAZ.)

Punjab Civil Secretariat.

14-9-28.

My dear—,

I am desired to enclose a copy of certain correspondence, received from the Government of India relating to the probation of I. C. S. candidates selected in India, and to say that the Governor-in-Council will be grateful for your personal opinion on the proposals contained therein.

(To Commissioners only—As certain junior civilians are being separately asked to give their opinion, it will not be necessary for you to circulate the correspondence.)

2. If you consider that I. C. S. candidates selected in India should pass their period of probation in India and not in England the following additional issues arise, on which your opinion is invited —

(a) Should I.C.S. candidates selected in London pass their year of probation in England or in India ?

(b) Should English I.C.S. candidates successful at the London competition pass their year of probation in England or in India ?

(c) If in your opinion all I.C.S. candidates should pass the period of probation in India, should not the age limits of all candidates be the same ?

(d) Should the period of training in India consist of one year of general training and one of district training ?

(e) Should the first year of sending be collective, and so, should it be on an all-India or provincial basis ?

(f) If the principle is approved of sending I.C.S. candidates selected in India to Europe for special course of training, after they have done 5 or 6 years' service, should this apply only to selected I.C.S. officers or to all those who have been recruited in India ?

3. I am to ask you to be good enough to forward your reply not later than the 15th of October.

Yours sincerely,

H. W. Emerson.

Enclosures

CONFIDENTIAL.

No. F 75/28, dated 4-8-1928.

From : The Hon'ble. M.H.G. Haig, C.I.E., I.C.S. Secretary to the Government of India, Home Dept.

To : The Chief Secretary to the Government, Punjab.

Subject :—Probation of Indian Civil Service candidates selected in India.

I am directed to refer to the correspondence ending with your letter No. 1637—S. G. dated the 28th June., 1926, regarding the method of recruitment for the I.C.S.

2. Before addressing the Secretary of State, the Government of India invited the views of the Public Service Commission on the whole subject. The Commission considered *inter-alia* that it was essential that Indian officers of the I.C.S. should possess a real insight into British political institutions and social customs, that this could be acquired only by first-hand observation, that for the purpose in view a period of residence in the United Kingdom of three years was preferable to one of two years, and that a three years' probationary course would enable them to obtain the full advantage of the University life, which would arise from the coincidence of their studies with the ordinary university courses. On the understanding, therefore, that courses of study were prescribed which would occupy the time of the probationers to the fullest extent, and that they were under proper supervision during the period, the Public Service Commission recommended that candidates selected in India should undergo a three years' probationary course in the United Kingdom. These views were communicated to the Secretary of State. In the meantime the question of probation has been further considered by the authorities concerned in England, and I am now to forward a copy of the Secretary of State's despatch No. 30—Services, dated the 5th July 1928, together with an extract from the personal memorandum of Sir Atul Chatterjee referred to therein. I am to request that the Government of India may be furnished as soon as possible with the views of His Excellency the Governor in Council on the question raised in these papers, and in particular on the question, whether in the case of candidates selected in India, a system of probation on the present lines should be maintained or abandoned.

No. 30—Services, dated India Office, London, the 5th July 1928.

From : His Majesty's Secretary of State for India.

To : His Excellency the Right Honourable the Governor-General of India in Council.

With reference to the correspondence ending with my Despatch Services, No. 23, dated 7th June, 1928, I forward copy of a letter received from the Civil Service Commissioners with regard to the probation of I.C.S. candidates selected in India. The letter must be read with the personal memorandum of Sir Atul Chatterjee which was forwarded to your Excellency's Government with my Services Secretary's letter No. S. and G. 218/28, dated 25th January, 1928, and which was in the hands of the Commissioners when the present letter was written.

2. Your Excellency's Government will perceive that the Commissioners finally endorse the recommendations of Sir Atul in favour of discontinuing the probation in England now imposed upon these candidates. This would be a drastic change and there are arguments to be advanced on either side but the opinion of Sir Atul and the suggestion of the Commissioners render it desirable that this matter should be reviewed. I, therefore, desire that I may be furnished with the views of your Excellency's Government upon the subject, and those of such authorities in India as you may deem it suitable to consult, with a view to the full consideration of the matter by me in Council and the early introduction of such changes, if any, as I may decide upon in the light of your advice.

(Enclosure)

Civil Service Commission to India Office,

No. 648.

6, Burlington Gardens, W. 1.

21st April, 1928..

Sir,

With reference to the letter from this Department of the 9th September last, relative to the regulations for the probation and further examination of selected candidates for the I.C.S., I am directed by the Civil Service Commissioners to say, for the information of the Secretary of State in Council, that they now desire to offer some observations on the manner in which probationers selected in India for the I.C.S. should spend their period of probation.

The Commissioners believe that in 1922, when the examination for recruitment in India was first held, it was contemplated that the candidate selected in India would normally be assigned to districts in which some vernacular other than their mother-tongue was used, and that they would consequently have to study a vernacular during their period of probation. Moreover, the period of probation was fixed at two years for candidates selected in India at a time when it was in contemplation that a probation of two years should be required for all candidates, whether selected in the United Kingdom or India.

It is now usual, the Commissioners understand, that a candidate selected in India is assigned for study in his own province, and in that case no study of a vernacular is required during the period of probation; while the two years period of probation has not been introduced for the candidates selected in London. The present situation is, therefore, as follows: for the European selected candidate the study of a vernacular and the study of the codes have to be compressed into one year while for the selected candidate from India, whose probation extends over two years, the only study of first rate importance is the codes.

When from time to time the Commissioners have had to offer advice in regard to the probationary studies of selected candidates they have found this situation a real difficulty; and the problem in essence is to find a means by which the selected candidate from India may advantageously spend two years at a University in the United Kingdom with no study beyond the codes of direct importance for his duties in the I.C.S. The Commissioners see no satisfactory solution of that problem on the present lines, and they are led to suggest that the question should now be considered whether the selected candidate from India should not be given freedom to choose his own studies, provided only that they should include the necessary knowledge of the Codes. As regards the Codes, the present system of examination would remain appropriate; as regards the other studies it might be considered whether some kind of voucher from the candidate's university could be accepted. The Commissioners apprehend that many of the selected candidates would be qualified for acceptance by a university as advanced students, and would thus be able to take a degree on two years' study; it might be necessary to make special arrangements for those not qualified for acceptance as advanced students.

The Commissioners are interested to learn from the letter addressed on the 11th February, 1927, by the Public Service Commission to the Govt. of India, that the thoughts of that Commission have been travelling on much the same lines as their own. The Public Service Commission proposes that the period of probation should be extended to three years, and that the selected candidates should be required to take a degree at a British University. This proposal simplifies the problem of the selected candidate who is not qualified for acceptance by a university as an advanced student. It might be worth consideration whether the condition might be that a candidate spends at a British University the time necessary to take a degree; the candidate who is qualified for acceptance as an advanced student could then take his degree and complete his probation in two years, while the candidate who is not so qualified would have to spend three years.

I am, however, to conclude by saying that while the Commissioners believe that the position would be improved substantially by the adoption of a scheme on the lines suggested by themselves, they are, on reading the note by the High Commissioner for India, which was enclosed with Mr. Drumbell's letter S. and G. 218/28) on the 25th January last, so much impressed by the extensive experience which the High Commissioner has of the problem, and by the cogency with which he supports his conclusions, that they incline to think that his solution is the true one and should be preferred to that proposed by themselves.

I have, etc.,

L. C. Weekes.

The Under-Secretary of State for India.

(Copy of the extract from the personal Memorandum of Sir Atul Chatterjee)

Extension of probationary period to three years.

5. My first objection to the existing system is that it fails to attain its object. A young Indian, after a prolonged period of hard study, finds himself, in his own view, settled for life in a profession which represents presumably the summit of his ambition. He is then sent to live for two or three years in England under conditions which afford every possible inducement for relaxation. His obligatory studies present no difficulty to an Indian who has passed into the I.C.S. His case is unlike that of the British confrere who has to learn one or more new languages in a totally unfamiliar script and who is naturally anxious to acquire as much knowledge as possible in a limited time regarding an entirely strange country in which he will have to pass the greater part of his future life. A few of the more earnest minded probationers from India may be imbued with a desire to obtain a close acquaintanceship with British institutions and methods of administration, but they are the exception. The natural inclination of a student from a distant country which he is leaving for the first time is to seek companionship of his fellow countrymen, of whom he finds a considerable number at the University. With the prescribed course of study leaving so much energy and interest unabsorbed other outlets must be found. Special athletic distinction may give to a young Indian student opportunities of an exceptional kind, but the general tendency is to join the Indian societies of which the central interest is, naturally, Indian politics. So much of the objection to the existing system as is based on the fact that the Indian probationer has insufficient work fully to occupy his time may be met, it has been suggested, by requiring him to read for a university degree. This solution would not, to

my mind, go far towards removing the defect. A pass degree presents little difficulty, while it will be hard to devise a penalty for failure to reach any prescribed standard in the university examinations which would be both effective and practicable. Apart from this feature, however, the existing system is in my opinion bound to be defective so long as it attempts to combine a true probationary period, which must be passed before an officer is confirmed in the Service, with a course during which the officer is expected to assimilate a knowledge of and sympathy with British ideals and institutions at an age and under conditions which render him likely to take advantage of it.

Positive dangers of present system

6. So far my criticism has consisted mainly of a negation of the advantages claimed for the present system, but there are, in my view, positive dangers inherent in it to which it is even more desirable to call attention. The young Indian probationer, when he comes to England, is, in most cases for the first time, removed far as his material prospects are concerned his future seem assured, while he has not yet reached an age at which he may be expected to have steadied down to a sense of responsibility either in domestic matters or in regard to his official position in the public administration. While he is actually in residence at a University he is subjected to a modicum of discipline, and a prescribed course of study goes some way, if not very far, to occupy his attention. (I may say in parenthesis, that even this discipline is practically non-existent in the case of probationers, as I have noticed that an increasing proportion now elect to join the School of Oriental Studies in London.) But even at Oxford and Cambridge, a very considerable portion (in fact more than half) of the academic year consist of vacation, when unlike his British confrere the Indian probationer cannot return to home surroundings, and is left to his own resources. The unnatural tendency is for him to gravitate to the cities either in England or on the Continent, where he finds such recreation and companionship as his means permit. Although every effort is made to place Indian students in good English homes, it is not possible to provide for all comers in this way, nor is it possible or desirable to put any pressure upon individuals who do not desire to be assisted in this way. In these circumstances, it is not surprising if at the end of this period of probation the young Indians' knowledge of Western life is derived largely from its more trivial, if not its positively undesirable, aspects, while his age and circumstances render him peculiarly susceptible to the danger of unfortunate entanglements which may seriously affect the whole of his future career. Generally speaking, I hold strongly to the view that the present system tends to unsettle the young Indian probationer at a most important period of his life. There is grave danger of the destruction of old ideals and traditions

without the acquisition of any permanent element of benefit in their place. The arguments which I have brought to bear against the existing probationary period of two years, apply with even greater force to extended period.

Cost of present system

7. Indian revenues have under the present system to bear a cost of £700 for each probationer in allowances alone, apart from the cost of passages both ways.

Attitude of college authorities to probationers

8. It is not perhaps out of place to add that, generally, speaking, the Colleges of Oxford and Cambridge do not welcome I.C.S. Probationers (except of course where the probationer is already a member of the College and has passed the open competition from it). Here lies the difference between the University and College Authorities. The Universities obtain from the Indian Government substantial grants in return for their services. The Colleges, on the other hand, derive considerably less advantage from an I.C.S. probationer than from an ordinary under-graduate and the admission of one of the former involves the exclusion of one of the latter class. By custom and tradition the College discipline imposed on I.C.S. probationers is far less strict than that for the ordinary under-graduate. In fact I.C.S. probationers are treated very much as advanced students who have already passed the under-graduate stage. In many Colleges they are not required to attend regularly in the College Hall. There is not the same moral compulsion on them to contribute to the College societies and clubs. Unless a probationer is reading for a degree College tutors receive no fees from him, and the College can receive no credit for his academic record. It is true that the position in these respects may change materially if probationers from India are compelled to read for an Honour's Degree, but I have already dealt with that proposal.

Different system suggested

9. After so much criticism I should like to make a few constructive suggestions, for, while I should like to see the existing probationary system for Allahabad entrants abolished, I consider that both a probationary period and a period of study of training in England are highly desirable. The solution in my view, rests in a separation of these two periods. Briefly the probation of a new recruit should be passed in India; he should be sent to England with some definite course of study to follow. after he has passed his probation and gained a working knowledge of his duties in India.

10. To elaborate these suggestions a little further, I consider that an officer on first appointment to the I.C.S. should undergo a period of probation and training in the province to which he has been assigned. There is no need for me to attempt to make detailed suggestion regarding this probationary period, though I may mention that I am personally in favour of collective training for all newly joined officers under the control of a specially selected senior officer, rather than separate training at the headquarters of a district under a variety of district officers. The object should be to give the young officer a thorough grounding in his duties before he is placed in actual charge of any branch of administration. It might be found advisable to require him to pass at least the lower standard of the departmental examination before confirming him in the Service. Under such a system as this the young officer, while not immediately burdened with arduous work and responsibility, would be given no opportunity to "slack off". He would begin his training under the best form of guidance, in actual contact with problems with which he will afterwards be called upon to deal, while retaining the advantage of home and family influence. Such a system of collective training, moreover, is in my opinion, far better calculated to foster *esprit de corps*, not only as between the men of one year but as between the newly joined and their seniors in the Service,

12. Turning lastly to the question of training in England, the general lines of the system which I have in view would be somewhat as follows. Each year a certain number of junior officers would be selected by each Provincial Government for period of study in England. They would be deputed under regulations similar to those now governing the grant of study leave. Such deputation will not be automatic upon an officer attaining a certain age, or completing a certain number of years of service, but would be determined by selection from confirmed officers showing special aptitude and keenness, with due regard to health, family circumstances and past record. Each officer selected would be required to pursue a definite course of study in one or more subjects in which acquaintance with western methods and institutions are considered advantageous. Thus while one officer might study law, others might take up co-operation, agriculture, local government or social welfare. Here again it is not necessary for me to attempt within the compass of this note an elaboration of details. The brief remarks which I have made are sufficient to indicate the broad lines of the system which I would advocate. Its main purport is that Indians appointed to the Service in India should be sent to England after they have settled down in the Service, and have acquired a knowledge of, and real interest in, their administrative duties together with a sense of responsibility. Such a system would, I believe, enable a period of study in England to be made

much more fruitful of good results and would avoid difficulties and most of the dangers which are inseparable from the existing probationary courses.

(Enclosures end.)

Replies :—

From B. R. Tandon, Esq., I.C.S., Sailkot

To H. W. Emerson, Esq., I.C.S., Chief Secretary.

With reference to your No. 26292 (H—GAZ), my personal opinion is submitted below:—

I have carefully studied the extract from the personal memorandum of Sir Atul Chatterjee, High Commissioner for India, and I differ from his conclusions as well as from many of the premises on which he has based them.

The positive dangers of the present system (para 6 of the Memorandum) are very highly exaggerated. During my two years' stay in Europe, I did not come across a single case of any unfortunate entanglement seriously affecting a probationer's future career. A wide-awake sense of responsibility exists in the case of most probationers, which is accentuated by the liability to be refused confirmation in the Service if their work or conduct has not been satisfactory.

I agree with the High Commissioner's premise that the object of a period of probation spent in England is to acquire a first-hand knowledge of British life and institutions. This point should not be lost sight of, but is it objectionable if the probationer also makes use of his opportunity to study numerous institutions and specially the fine arts in the cities of England and the Continent? It is just in the vacation period that a study of life and institutions as distinct from a study of books is possible. The High Commissioner emphasises the value of home surroundings. I do not wish to decry the advantage of sharing in the life of an English home. The experience has its value, but five weeks of it will be as sufficient for the purpose as two years.

It appears to me that some of the arguments in para 5 is strangely inconsistent with the object of sending an Indian probationer to England. He is expected to acquire a first-hand knowledge of British life and institutions, For this he needs leisure, and yet his leisure is sought to be circumscribed by making him read compulsorily for an honours degree. If the object is university degrees and academic learning, it can as well be attained in India.

The attainment of a wide outlook by a period of residence abroad is, in my opinion, of inestimable value to the Indian probationer. The High Commissioner suggests the visit be postponed for five or six years. I am emphatically against the proposal. Even as it is, the Indian probationer is two or three years older than the average undergraduate, and a postponement of five or six years will make the disparity in age more marked and association in the full rhythm of university life more difficult. In all probability the outlook of the probationer will also be different. At the present time and under the existing system, the probationary period is a continuation of student life. There is the zest for knowledge, the spirit to learn. Character and mental outlook are malleable. Five or six years of service would make a vast difference. Domestic responsibilities would increase in the case of some, and it would be difficult to renew the spirit of student life in the case of almost all.

My opinion, therefore, is that there is no necessity for a change in the present system.

B. R. Tandon, 10-10-28.

From D. J. Boyd, Esq., I.C.S. Commissioner, Rawalpindi Division.

To H. W. Emerson, Esq., I.C.S., Chief Secretary.

Your demi-official No. 26292 (H—GAZ), dated the 14th September, 1928. I do not consider that I.C.S. candidates selected in India should pass their probation in India instead of in England. I think that the present system should be maintained. In this opinion, I am fortified by experience of Indian Assistant Commissioners who passed their probation in England. Those of them whom I have met have undoubtedly got the British atmosphere, and are able to appreciate the point of view of the Government as at present constituted, in a way that they could never have done if they had not spent their probation in England. Further they are able to associate socially with British officers of the various services in a way that no Indian could hope to do unless he had spent a considerable time in England. This is a matter of considerable importance when officer of their Services have to be consulted, as they must be, in any station of fair size. In Jhelum, for instance, Mr. Bhanot was perfectly at home with the military officers in that station, and as there must always be frequent consultations between military and civil officers, it is obviously of great advantage that they should understand each other and be on friendly terms. One of the last joined British Assistant Commissioners has done a walking tour in the hills this summer with an Indian colleague whom he knew at home. This tour must have done both of them a lot of good. I can hardly think that either of them would have chosen such a method of spending

casual leave unless the Indian had been partially educated in England. Further, I find that Indian officers trained in England are attached to the British connection in a way that cannot be expected of young men whose experience is confined to Indian colleges and whose main light reading is probably the 'Tribune' or a similar newspaper. The High Commissioner appears to forget that while Nationalist policies may be in vogue amongst young Indians in England, they are trebly so amongst young Indians in India. The British character of the Administration will inevitably be weakened if our future Indian officers pass their probation in India, instead of in England.

I do not regard it as a serious drawback that Indian probationers in England have not got their time fully occupied. The long vacations afford an opportunity of widening their minds by travel in Britain or on the Continent. It is not when they are in a class that they are getting their real education, it is in their leisure hours, and I cannot imagine anything better for an Indian boy who has been working hard and living a narrow life at an Indian college, than the comparative leisure of his two years' probation in the United Kingdom.

D. J. Boyd. 11-10-28.

A note by A. N. Bhandhari, Esq., I.C.S., Assistant Commissioner.

I am decidedly of the opinion that all I.C.S. candidates wherever selected should be required to pass their probation in the United Kingdom. The vast majority of those selected in India have a narrow provincial outlook which it is difficult to outgrow except by a trip abroad. The salvation of the country from the twin evils of present-day society, viz., Caste and Communalism, lies in the hands of those who have by training at British universities inculcated the spirit of equality, co-operation and sportsmanship.

Candidates selected in England should be on a year's probation as in the past. The case of candidates selected in India stands on a different footing. I cordially endorse the view that their period of probation should be extended to three years and that they should be required to take an honours degree. This would bring them into touch with their tutors, their fellow-students and would enable them to derive the fullest advantage from university life.

Any extra expenditure that may be incurred in giving effect to the proposed scheme will, I feel confident, be fully justified. After all, the basic principle of sending probationers to the United Kingdom is not to give them specialised knowledge in one or

more subjects but to equip them mentally, to broaden their outlook and to raise their standard of moral values.

A. N. Bhandhari, 12-10-1928.

From G. D. Khosala, Esq., I.C.S., Sub-Divisional Officer,
Bhakkar,

To : H. W. Emerson, Esq., I.C.S., Chief Secretary. ...

I am in receipt of your demi-official letter, dated the 14th September, inviting my opinion on certain points arising out of the question of the probationary year of the I.C.S. recruits. I wish to say most emphatically that India and not England is the country where the probationary period should be spent. As far as my experience goes, the year of probation is treated as a sort of interim holiday in which the Indian gets an opportunity to go about Europe with a free conscience and the Englishman of saying goodbye to his relations before taking up a long career in India. It is most imperative that the year of probation should be spent in India in the Province where the recruit is going to work and in the conditions which will surround him. This holds true of all I.C.S. candidates, whether selected in India or in England, and their age limits should also be the same in either case. The probationary period should consist of one year of general training and one year of district training. The first year of training will be collective and the candidates assigned to a Province whether selected in India or in England, would work under an experienced senior officer as suggested by Sir Atul. The second year of district training should be spent on very much the same way as now.

I need not dilate upon the evils of the present system, which are fully detailed in Sir Atul's Memorandum, and which are patent to all who have lived and seen the life of an I.C.S. probationer during the so-called probationary period. The India selected candidates suffer the most by this system, though most of them, of course, do not realise it,

G, D. Khosala, 12-10-1928.

From : E. B. Wakefield, Esq., I.C.S., Assistant Commissioner.

To : H. W. Emerson, Esq., I.C.S., Chief Secretary.

Some time ago in a circular letter which I have now lost, you asked for my views on Sir Atul Chatterjee's suggestion about the probationary course of Indian candidates for the I.C.S. My experience is of Cambridge alone—and of only one year at Cambridge, for during the first four years of my life there I was not more than dimly aware of the presence of darker fellows.

My experience thus is very limited, but I send an account of it in the hope that there may be some value in it. It is at least a true picture of India-in-Cambridge as I saw it.

In paragraphs 5 and 6 of his memorandum, Sir Atul makes several criticisms of the system at present in force, by which India-passed I.C.S. candidates spend a probationary period of two years at some English university. My limited personal experience confirms the wider experience of Sir Atul and leads me to give full support to his criticism.

The majority of English undergraduates at English universities come from schools where they have not met Indians and have learnt little or nothing about India. At the university, the consort with their friends and are prejudiced against all who cannot be classed as of their own type. Such is the crust of insularity and prejudice that the Indian has to break before he can enter into normal social intercourse with an English undergraduate.

During my own year of probation at Cambridge I noticed that social intercourse between English probationers and Indians who had been to an English school or university was natural and unrestrained; but Indians on their two-year probation course were so shy and reserved as to be almost unapproachable. The two-year course, to my mind, is valueless so far as it aims at giving Indians a real insight into British social life and institutions; all they get an insight into is the narrow-minded exclusiveness of an ordinary English undergraduate.

E. B. Wakefield, 13-10-1928.

(No replies received from other officers addressed.)

ANSWER TO QUESTION PAPER

OF

JULY 1952

I. PRECIS.

**Subject : Probation of I.C.S. Candidates
selected in India.**

The Government of the Punjab in their Demi-Official letter No. 26292 (H—GAZ) dated 14-9-1928, invited the opinion of the Commissioners and some newly arrived Assistant Commissioners in that Province on the manner in which I.C.S. candidates, selected in India, and sent to the United Kingdom for training under the existing system, should spend their period of probation, and forwarded to them copies of the letters from the Government of India, the Secretary of State, the Civil Commissioners and the personal memorandum of Sir Atul Chatterjee, High Commissioner for India in the United Kingdom.

2. The Government of India in their letter referred to the views of the Public Service Commission who had considered it essential that the Indian officers of the I.C.S. should possess a real insight into British political institutions and social life which could be acquired only by first-hand observation, made during their residence in the United Kingdom, preferably for three years instead of two. Such a probationary course would enable them to secure the full advantage of the University life, which would arise from the coincidence of their studies with the ordinary University course.

3. The Civil Commissioners while considering the disparity in probationary studies between the European candidates who studied a vernacular and the codes in one year and the selected candidates from India, who studied chiefly the codes in two years, agreed with the Public Service Commission that the period of probation should be extended to three years and observed that the present system of examination in the Codes would be appropriate, but that in regard to other studies some kind of voucher from the Candidates' University might be accepted. The difficulty, however, seemed to be that an advanced student would complete his probation and take his degree in two years, whereas, a candidate not so qualified would have to spend three years. The Commissioners, therefore, would look for the solution of it in the personal memorandum of Sir Atul Chatterjee.

4. The superb analysis of the problem made by the High Commissioner disclosed the defects and dangers of the existing system to be:—

(a) that the conditions of English life afforded every possible inducement to relaxation ; his obligatory studies presented no difficulty to an Indian who had passed into the I.C.S. and he had no pre-occupation like his British confrere who had to learn one or more new languages.

(b) that the Indian candidates, not generally evincing great interest in British life and institutions, found other outlets for their energy and invariably joined the Indian Societies whose absorbing interest was Indian politics.

(c) that the existing system of combining the probationary period with a course qualifying him for a degree which would also keep him occupied, was defective.

(d) that during his vacations the Indian probationer, not having the advantage of his British confrere to return to home surroundings, sought such recreation and companionship as his means permitted, in England or on the Continent. Consequently, his knowledge of western life was derived largely from the more trivial, if not positively undesirable aspects, while his youthfulness and circumstances made him peculiarly susceptible to the danger of unfortunate entanglements which might jeopardise his whole future career. There was the added danger of the destruction of old ideals and traditions, without the acquisition of any permanent element of benefit to take their place.

(e) that the Indian revenues had to bear a heavy cost of £700 for each probationer in allowances alone, apart from other charges, and

(f) that the College Authorities in England did not welcome those probationers, and the college discipline imposed on them was far less strict than that enforced on the ordinary undergraduate.

5. By way of correcting those defects the High Commissioner suggested that both a probationary period in a province and a period of study or training in England were highly desirable. He was in favour of collective training for all newly-joined officers under the control of a specially selected senior officer as being calculated to foster *esprit de corps*. The object of this system was to give the young officer a thorough grounding in his duties before he was placed in charge of any branch of administration. He should be required to pass at least the lower standard of the departmental examination. Turning to the question of training in England, the High Commissioner observed that the candidates selected by the Provincial Government with due regard to their special aptitude, health, family circumstances and past record,

should be sent to England for specialised study after their probation in India.

6. The Civil Commissioners were so impressed by the extensive experience of the High Commissioner and by the cogency with which he supported his conclusions that they preferred his solution to their own. The Secretary of State for India considered that the solution thus proposed would be a drastic change, and that either side had its own arguments. In his opinion the views of the High Commissioner and the suggestion of the Commissioners rendered a review of the whole matter imperative. He, therefore, invited the opinion of the Government of India as well as the opinion of such authorities in India whom they might consult. It was then that the Government of India asked for the opinion of the Government of the Punjab.

7. The replies received showed that the Commissioner of Rawalpindi and the Assistant Commissioners Mr. Tandon and Mr. Bhandari disagreed with the High Commissioner, whereas the Assistant Commissioners Mr. Khosala and Mr. Wakefield expressed their approval of the change suggested by Sir Atul Chatterjee.

8. In differing from the conclusions and the premises of Sir Atul Chatterjee, Mr. Tandon affirmed that in all his stay in Europe, he had not come across a single case of unfortunate entanglement and that a very lively sense of responsibility existed among the probationers. Mr. Boyd stated his own experience by saying that the candidates he had met, had certainly the British atmosphere, which enabled them to appreciate the point of view of the Government and to associate socially with the British officers of the various services, especially military, which association being a matter of considerable importance. Mr. Bhandari would look up on the probation in England as a sure remedy for the evils of Provincialism and Communalism. Mr. Wakefield, on the contrary, regarded the probation period spent in England as valueless because the Indian students seldom broke the crust of English insularity and prejudice before they could enter into normal intercourse with English undergraduates. Besides, the Indian probationers were so shy and reserved that they had no chance of getting a real insight into British social life and institutions.

9. As regards the High Commissioner's suggestion that the probation in England should be postponed for five or six years after recruitment, Mr. Tandon remarked that it would make the disparity in age more marked and absorption in the full rhythm of university life more difficult. The outlook of the probationer, besides, would change for the worst because of the increase in domestic responsibilities. After all, the basic principle of sending probationers to the United Kingdom, observed Mr. Bhandari, was

not to give them specialised knowledge in one or more subjects but to equip them mentally, to broaden their outlook and to raise their standard of moral values.

10. The officers who favoured the continuance of the present system emphasized the cultural aspect of the probationer's stay in England, the long vacations, and the university life. But Mr. Khosla, speaking from his own experience stated that the period of probation was generally treated as an interim holiday. In his opinion, the probation of all I.C.S. candidates should be spent in the provinces where they were going to work. It should consist of one year of general training and another year of district training. The first year of training should be collective and the candidates assigned to a Province should work under an experienced senior officer, and the second year of district training should be spent in the same way as now.

IMPORTANT POINTS TO BE NOTED

1. To begin with, a reference must be made to the D.O. letter of the Punjab Government.

2. Study the views of the Public Service Commission and compare the views of the Civil Service Commissioners with those of the High Commissioner.

3. Due prominence should be given to Sir Atul Chatterjee's views in the precis. Scan his arguments against continuance of the present system. Emphasise his constructive suggestions.

4. A clear grasp of the distinct and different view points should be shown. Understand the basic point at issue and see how all opinion revolves round it : Maintaining or abandoning the present system.

5. The arguments of the two sets of intellectual adversaries are equally convincing, but by reading between lines through the whole correspondence you will realize how the High Commissioner's views are as realistic as the views of the Junior Officers and the Commissioner of Rawalpindi are romantic. Let the trend of your precis show your definite inclination to Sir Atul's line of thinking.

6. Avoid ascribing the views of one officer to another.

II. DRAFT.

No.....Dated.....

From

The Chief Secretary to the Government of the Punjab,
Simla.

To

The Secretary to the Government of India,
Home Department, New Delhi.

Subject :—Probation of Indian Civil Service candidates selected in India.

Sir,

I am directed to refer to your Department letter No. F-75/28, dated the 4th August, 1928, dealing with the manner in which I.C.S. candidates selected in India should spend their probationary period. The main issues on which the views of the Government have been invited are :

- (1) Whether in the case of candidates selected in India a system of probation on the present lines should be maintained or abandoned,
- (2) whether the period of probation should be extended to three years with the candidate being required to take a degree at an English University,
- (3) whether the scheme suggested by the High Commissioner of India should replace the present system of probation.

2. The Public Service Commission in India and the Civil Service Commissioners in London supported the existing system of probation in England on the ground that it would give the Indian officers of the I.C.S. a real insight into British political institutions. The High Commissioner, however, has brought out in his personal Memorandum the defects and expensive nature of the system and its failure to achieve the main object. The Civil Service Commissioners have been so impressed by the cogency of the arguments with which the High Commissioner supports his conclusions that they are strongly inclined to prefer his views to their own on the desirability of having probation in India and specialised study in England.

3. I am to state that the decision in this case whether or not to adopt the system proposed by Sri Atul, seems to depend on the facts and in ignorance of the facts, it is difficult to make suggestions. Assuming that the facts stated by him are correct, then the conclusion follows that the present system of sending Allahabad I.C. S. probationers to England for a course of two years not only fails to achieve its object, but tends to do more harm than good. This argument applies with still greater force to the year's training in England which London I.C.S. Indian candidates have to do. Previous to the training, they have acquired some knowledge of English Institutions and experience of social life by their study at the English Universities. The additional year spent by them in England while it may advance their knowledge, is not essential for the primary purpose of English training. So I am strongly of the view that, given a proper system of collective training, it can best be undergone in India. If the probationary period in England was abolished for all Indian candidates, there seems to be no reason for retaining it for English candidates, because they feel that another year spent after passing the entrance examination is an unendurable and unnecessary prolongation of their already protracted education and they would get to work as soon as possible. Moreover, their probation for a year in India will adequately initiate them in the practical problems to be faced later on in their administrative work.

4. To accept the proposal regarding Allahabad candidates will be to follow the logical course of extending it *mutatis mutandis* to all I. C. S. candidates and prescribing the same age limits for both the London and Allahabad examinations. The proposal, in its application, would require :

- (a) all successful candidates to do a year's probation in India under a system of collective training, which should be so general and preparatory as not to impair in any way the breadth of outlook of the candidates.
- (b) after a year of collective training, all candidates to undergo a further period of a year's training in their districts, and.
- (c) at about four or five years' service Allahabad entrants to undergo a year's course of study in England as suggested by the High Commissioner.

5. The next question to consider is whether the collective training in India should be on a provincial or an All-India basis. The difficulty in adopting a provincial basis turns on the provision of efficient teachers. It may not be felt in provinces like Burma and the United Provinces where there are already centres of collective training intended for provincial service officers, but the-

provinces where no such centres have been established are large in number. I am, therefore, to suggest that in the first instance collective training may be on an All-India basis with general as opposed to departmental shapeliness about it. The scheme is likely to be successful and financially feasible as well, and it is, therefore, hoped that the Government of India will provide such collective training on an all-India basis.

Yours faithfully,

Secretary.

— — —

IMPORTANT POINTS

- (1) The draft should be brief and telling as well as a well-reasoned-out one.
- (2) The main issues on which the views of the Government of India have been invited should be clearly brought out.
- (3) Public Service Commission and Civil Service Commissioners support the existing system but they prefer the views of Sri Atul.
- (4) Assuming that the facts stated by Sri Atul are correct, then the conclusion follows that the present system is to be changed.
- (5) Probation in India for all kinds of I.C.S. candidates.
- (6) Collective training for a year followed by a year's training in districts, For about 4 or 5 years' service, Allahabad entrants to undergo a year's course of study in England.
- (7) Collective training on an all-India basis, Provision to be made by the Government of India.

S.A.E.

January 1953.

Time allowed—3 hours.]

[Maximum Marks—150]

Marks.

- I. Prepare a brief precis of the correspondence marked
I to VII 90
- II. Draft a letter to the Secretary of State on the lines of
decisions arrived at in the Sub Committee of
Executive Council held on the 30th October,
1931, and in Mr. H W. Emerson's note dated
5-11-1931 (marked VI and VII.) 60
- (Ordinary official form can be used for drafting
this letter.)

I

No. F. 78-II. Ex.-I/31.

GOVERNMENT OF INDIA

Finance Department

Simla, the 15th September, 1931.

From : H. Denning, Esq., C.I.E., I.C.S., Secretary to the
Government of India.

To : All Local Governments and Administrations.

Subject. —Payment of compensation to Government servants
who are thrown out of employment as a result of the
present policy of retrenchment. .

Sir,

I am directed to refer to the correspondence on the subject
mentioned above ending with Home Department letter No. F. 415,
23-Ests., dated the 24th December, 1924.

2. In view of the wholesale character of the retrenchments
which they have under contemplation, the Government of India
consider that terms more generous than those provided by existing
rules should be granted to officers whose careers it is found necessary

to terminate through no fault of their own. They have caused to be prepared in their Finance Department, and have under consideration, the annexed draft scheme of compensation for loss of prospects. The proposal is that it should apply to all civil personnel under the control of the Government of India and that it should be recommended to the Secretary of State in Council for sanction for application to the members of services (excluding the Indian Civil Service and military commissioned officers in civil employ who earn military pensions ; for these, if occasion demands analogous terms, based on their peculiar pension conditions. would require to be worked out) whose control has been retained by him. The draft scheme is self-explanatory.

3. I am to request that, with the permission of His Excellency the Governor in Council, the Government of India may be informed by 10th October, 1931, whether these proposals :—

- (a) commend themselves to the Local Government as suitable for application to personnel serving under their administrative control whose terms of service are regulated by the Secretary of State in Council ; and,
- (b) are unlikely to embarrass them by analogy when they come to decide on terms for compulsorily retrenched personnel whose conditions of service they are now competent to determine.

I am to explain that the principle underlying the present scheme is to give identical treatment to all civil servants of Government, high or low, whose careers are prematurely terminated owing to the exigencies of the present financial emergency. It is obviously desirable to give effect to these terms at the earliest possible date, but their universal application necessitates the prior approval of the Secretary of State in Council in regard to officers appointed by him. In view of the urgent necessity for making retrenchments effective at the earliest possible date, the Government of India feel that they must submit their recommendations to the Secretary of State not later than the middle of October and will thus be unable to include in that reference any comments which arrive from Local Governments after 10th October 1931.

I have the honour to be, Sir,

Your most obedient servant,

H. Denning.

Secretary to the Government of India.

Copy forwarded to all Departments of the Government of India, with the request that their comments may reach Finance Department not later the 30th September, 1931.

By order, etc.

Sital Singh.

Under-Secretary to the Government of India.

Draft Terms for Personnel Retrenched in consequence of the present Economy Campaign

The draft scheme proposes the following terms for all personnel whose retrenchment before the age of superannuation is casually connected with the present economy campaign other than members of the Indian Civil Service and military commissioned officers in civil employ who are earning military pensions. For both those categories special terms will have to be devised, owing to the absence from statutory rules of scales of compensation pension formally applicable to them.

2. These terms will not be granted :—

- (a) To a Government servant nearing the age of superannuation who on a date on which he is required or permitted to demit office has at his credit sufficient leave admissible to him on average pay to carry him to the date of his compulsory superannuation ;
- (b) to a Government servant on leave when these terms come into force who is required by general or special order to produce a certificate of fitness before he returns to duty, if the competent medical authority pronounces him permanently unfit to return to duty;
- (c) to a Government servant granted at his own request before these terms come into force leave with permission to retire at its expiry ;
- (d) to a Government servant against whom disciplinary proceedings are in progress unless he is honourably acquitted of the charges pending against him ; and
- (e) to a temporary Government servant whose loss of office is not directly attributable to the present economy campaign. The following are examples of this type:

- (1) Seasonal employment, (2) employment to make good shortages in permanent staff due to absence or inadequacy of leave or deputation reserves, and (3) employment for a specific piece of work which has reached its normal completion.

A—For pensionable personnel in permanent service other than inferior servant.

1. **Notice.**—Three months' notice of discharge, or gratuity in lieu thereof will be given in terms of Article 436, Civil Service Regulations. The authority competent to give notice may :—

- (i) require the Government servant so notified to serve out his period of notice. (This will be the normal procedure and no question of gratuity in lieu of notice will arise); or
- (ti) permit him at its discretion on his application to proceed on leave in which case, no gratuity in lieu of notice will be paid ; or
- (ii) require him to relinquish charge at any time before the expiry of the three months, paying in this case the gratuity admissible under Article 436.

2. **Pensions.**—Earned pensions under the relevant rules in the Civil Service Regulations and/or the Superior Service Rules of 1924. All retirements under these rules will be treated as if they were retirements at superannuation for the purpose of Articles 403, 404, 404-A, 475 and 475-A, Civil Service Regulations. Where the relevant rules provide not a pension but a gratuity, the present pensionary scales will be extended to provide a pension of one-sixtieth for each completed year of qualifying service.

All leave due to a maximum of 28 months will count towards total service for ordinary pension, and leave admissible on average pay up to four months, for active service ; for administrative pension leave due will not count, but a deficiency in service not exceeding 4 months will be condoned if needed to make up a complete year of qualifying service ; provided that if pension is sanctioned from any date prior to the expiry of such leave at the request of any Government servant who wishes to obtain earlier commutation, no balance of leave due after that date will count towards qualifying service.

3. **Commutation of pensions** —(1) The option of commuting pension without medical examination, if that option be exercised within one year of the date on which retirement takes effect, will be given :—

- (i) in full to those whose total qualifying service on retirement is less than 10 completed years ; and
- (ii) to the extent of half pension to those whose total qualifying service on retirement is less than 15 completed years.

(2) Commutation will be compulsory and without medical examination for all whose pensions do not exceed Rs. 10 per mensem.

4. **Gratuity for loss of prospects.**—One month's pay will be given for each completed year of qualifying service for pension up to a maximum of 15 months' pay after 15 completed years. If the completed years of service exceed 15, the gratuity will diminish thereafter by one month's pay for each completed year in excess of 15 for those whose permanent posts are on the cadres of services for which the normal age of superannuation is 55 i.e., 14 months' pay will be given for 16 years' completed service, 13 for 17 years and so on. For those whose permanent posts are on the cadres of services for which the normal age of superannuation is 60, the gratuity will be 15 months' pay for completed years between 15 and 20, and diminish thereafter by one months' pay for each completed year in excess of 20 ; i.e., 14 months' pay will be given for 21 completed years and so on. The basis of calculation of this gratuity will be the pay of the permanent (non-tenure) post on which a *lien* is held, active or suspended. The point in time for this calculation will be the date on which notice of discharge expires or the Government servant proceeds at his own request on leave whichever is earlier. This gratuity will be paid in rupees in India, any sterling portion being converted into rupees at the rate of 1s. 6d.

5. **Leave.**—All leave due will be granted up to the maximum admissible on any one occasion, viz., 28 months. Should, however, a Government servant, with a view to commuting his pension or for any other reason, ask that his pension should be sanctioned from a date prior to the expiry of the leave admissible to him, his leave shall terminate on the date preceding that from which the sanction to his pension takes effect.

6.—**Repatriation.**—A Government servant admitted to these retrenchment terms will receive travelling allowance for self and family according to S.R. 116 (less the two additional fares) from the station of his last employment to the place within India where he takes up permanent residence within six months of the date of his quitting his post. In addition, a Government servant who produces clear evidence of his intention to settle outside India will be given for himself and his family, if he leaves India within six months of his quitting his post, steamer passages provided by Government of the grade appropriate to his official

status, subject to the conditions and limits of amount prescribed in the Passage Rules applicable to him or that may be applied by equitable analogy ; and transfer travelling allowance in India as above will be given to the port of embarkation.

B.—For Superior personnel in permanent non-pensionable service (a) who receive contributory provident fund, and (b) who receive no such contribution.

The terms of compensation for them will be identical with those of superior pensionable personnel except in regard to pensions. Those in category (a) will continue to have Government contribution credited to them during their leave pending retirement, calculated on the basis of their average pay from 1st April of the financial year in which they quit active service. No subscription will be required of them during their leave pending retirement.

Note.—These terms apply only to those whose contracts do not contain specific provisions prescribing compensation on certain scales in the event of their services being dispensed with prematurely for no fault of their own.

C.—Inferior servants in pensionable service.

Inferior servants in permanent pensionable service eligible for the invalid and compensation pensions provided in Article 481, C.S.R., will receive, if compulsorily retrenched :—

I. Pensions—

- (a) If their normal pension is a half-pay pension not exceeding Rs. 4 a month—a pension of Rs. 2-12-0 a month after qualifying service of more than 20 but less than 25 years, and of Rs. 3-8-0 a month after qualifying service of more than 25 but less than 30 years ; and the maximum if service exceeds 30 years ;
- (b) if their ultimate pension is subject to one of the higher maxima prescribed in sub-clauses (1), (2) and (3) of Article 481 (b) C.S.R., two-thirds of the appropriate maximum after qualifying service of more than 20 but less than 25 years ; and four-fifths of the appropriate maximum after qualifying service exceeding 25 but less than 30 years ; add the maximum if service exceeds 30 years.

2. Gratuity for loss of career—

- (a) For those who get pensions under these terms, a gratuity for loss of prospects equal to six months' pay for those between 20 and 35 years' completed service

will be given, diminishing thereafter by one month's pay for each completed year of service in excess of 35.

- (b) For those of whatever class whose qualifying service falls short of 20 completed years double the gratuities provided in Article 481, C.S.R., will be given and for service of under 5 completed years one month's pay for each completed year of service.

3. Notice.—All pensionable inferior servants will be given one month's notice of discharge or pay in lieu thereof in addition to the benefit detailed in the preceding sub-paragraphs.

D.—For temporary personnel in superior service specially admitted to the leave and pension terms applicable to permanent personnel.

Such personnel will be given notice, leave and rights of commutation on the terms specified in paragraphs 1, 3 and 5 of Part A. Pension or gratuity will be on the scale prescribed in the Civil Service Regulations. No gratuity for loss of prospects nor repatriation terms will be extended to them.

E.—For other temporary personnel in superior service.

1. Temporary staff with over one but under 3 years' service will receive no gratuity, other than any gratuity admissible in lieu of the full period of notice customarily given to persons serving on their terms; but leave due otherwise than on medical certificate will be given up to a maximum of 3 months.

2. Temporary staff with over 3 but under 5 years' continuous service will be given a gratuity for loss of prospects of half a month's pay for each completed year of service, calculated up to the date on which they quit service: provided, in the case of a Government servant appointed for a definite term, that the gratuity shall not exceed the pay he would have drawn had he remained in service up to the expiry of that term. The terms as regards notice and leave due will be identical with those prescribed in sub-paragraphs (1) except that leave due will be granted up to four months in all.

3. Subject to the same proviso as is contained in sub-paragraph (2), temporary staff with over 5 years' continuous service will receive as gratuity for loss of prospects half a month's pay for each year of service up to 5, and thereafter one month's pay for each completed year: notice will be given in terms of sub-paragraph (1) and all leave due otherwise than on medical certificate.

Note.—The "no extra expense" condition will be waived in all cases of leave granted under these terms. The basis for calculating gratuity will be the pay drawn in respect of the temporary post held substantively. Any temporary servant

who elects to take leave due instead of working out his period of notice will forfeit his claim to any balance of gratuity due in lieu of notice.

F.—Inferior servants in temporary service will receive :—

(a) One month's notice of discharge or pay in lieu thereof; and

(b) leave due to the extent of one-half of the amounts prescribed in parts D and E for temporary personnel in superior service, according to the category of temporary service appropriate to them.

**II. Letter from the Government of Madras, No. 852—
Pension dated the 6th October, 1931.**

I am directed to reply as follows to the Government of India's letter No. F. 78-II-Ex. I/32, dated the 15th September, 1931.

2. In the first place this Government desire to emphasise the fact that the proposals of the Government of India were received only a fortnight ago, and consequently, it has not been possible for them to devote as much time to the consideration of these proposals as their importance merits. It has not been possible to examine fully the financial implications of all the concessions adumbrated particularly in view of the fact that at this stage the number of officers who will have to be retrenched cannot be accurately estimated. It is clear however that the special gratuity for loss of prospects coupled with the privilege of taking all leave due prior to discharge will throw a heavy burden on the revenues, and though there will be some immediate relief to the finances the fact that the gratuity will be payable at the end of the leave will throw a heavy deferred charge to be met at a time when we have no assurance that we will be better able to meet it than at present. We have in fact no certainty of being able to meet these charges from revenue and the necessity or desirability of obtaining loans to meet these charges will require careful consideration.

3. The Government of India state that their proposals are to apply to all personnel (other than members of the Indian Civil Service and Military Commissioned Officers in civil employ), whose retirement before the age of superannuation is casually connected with the present economy campaign. Presumably therefore the reason for the grant of the special concessions proposed is that the officers affected are being discharged not because their posts are really unnecessary but because the Government cannot afford to continue to pay for them. In the opinion of this Government there is no obvious reason why the rules in the C.S.R., which

4. Again, the claims of an officer for special compensation for the loss of his career are not ordinarily weakened or strengthened so far as he is concerned by the fact that there is a large number of other officers in the same plight. There have already been several occasions in the past when considerable reductions in staff were effected but on those occasions officers thrown out of employment who had not qualified for full pension were given only what was provided for in the rules under which they had accepted service. They were not given special concessions on the ground that a considerable number were discharged at one time.

5. In 1924 on a similar but less urgent occasion, the Government of India after consulting local Governments decided that the existing rules on the subject governing the discharge of Government servants before they had qualified for full pension should stand, and that special case should be decided on their merits.

6. This Government are, however, prepared to agree that the conditions are somewhat altered by the fact that on the present occasion of retrenchment a number of officers may be thrown out of employment at a time when it is exceptionally difficult to find suitable employment or indeed any employment elsewhere. This consideration, and the desirability of avoiding further cause for discontent to the Services at a time when a more severe strain than usual is placed on their loyalty, may be regarded as affording justification for some more liberal treatment to those whose services are now being prematurely terminated and whose absorption in other posts is found to be impossible.

7. Subject to the above general observations, the Government of Madras offer the following remarks on the details of the scheme :

(1) **Classes of persons to whom the scheme should be applied.**—The scheme should not be applied to :—

(a) **Officers who can be required to retire after they have completed 25 years' qualifying service.**—Under Article 464-A (2) C.S.R., Government have an absolute right to retire the officers mentioned in Article 349-A if they have completed 25 years' qualifying service, and it is unnecessarily generous to give any special terms such as those now proposed ; it will be sufficient if the officers are allowed to take all the leave due to them at one time.

(b) **Officers who have rendered 30 years' qualifying service but who have not reached the age of superannuation.**—These officers can retire of their own accord at any time. This Government do not consider that it will be causing hardship to retire

these officers at a time of general retrenchment. They may be allowed to take all the leave due but the further concession of granting them travelling allowance to their homes seems unnecessary. The cases of officers entitled to passages under the Superior Civil Service Rules, but whose right to passages under these rules is exhausted, might be considered each on its merits as they arise.

- (c) **Ministerial servants who are required to retire after 55 years but before the age of 60 years.**—In this province, all ministerial servants are usually retired at the age of 55 years and only in exceptional cases are extensions granted. It is thus unnecessary to grant these officers any special compensation for the reason that they are retired after 55 years of age and before 60 years of age.

(2) **Pension for officers with less than 10 years' service.**—The proposal to replace earned gratuity in the case of officers with less than 10 years' service by a theoretically earned pension is unnecessary and undesirable, being contrary to one of the basic principles underlying the pension rules. Officers who are invalided on account of sickness or on account of injury sustained in the execution of public duty and who are unable to earn their living are entitled only to gratuities. The grant of this concession will give room for discontent and should provide a most undesirable precedent.

(3) **Commutations.**—Commutation is purely a business matter of the nature of life insurance, and to depart from the strict actuarial basis upon which it is at present allowed would involve grave risks and dangers. Dispensing with the medical examination will give no benefit to the fit but will give advantage merely to the unfit, the majority of whom but for their discharge might never live to draw pension at all. The proposed concession seems unnecessary also for the reason that its object can only be to ensure to each discharged officer a lump sum of money on discharge; but this object can be secured more properly and quite adequately by the payment of a compensatory bonus for loss of prospects. This Government are thus opposed to any relaxation of the existing scheme of pension commutation.

(4) **Gratuity for loss of career.**—The proposal of the Government of India is accepted subject to the condition that no separate and more generous scale of compensation be allowed to ministerial servants for the reason that they may continue in service up to the age of 60. It should be sufficient to allow them the same scale of compensation as it is proposed should be given to executive subordinates.

(5) **Repatriation.**—The Superior Civil Services Rules and the Passage Subordinate Rules are sufficient to meet the cases of officers who wish to settle outside Asia. The cases of officers whose right to passages under the existing rules is exhausted might be considered, each on its merits as they arise. This Government are unable to agree to the grant of any further concessions in this matter.

(6) **Inferior servants in pensionable service.**—This Government strongly object to any alteration of the existing system of gratuities and in particular to its replacement by a system of pensions, as they fear that it will lead to heavy financial liability on account of its possible extension to inferior servants who are invalided.

(7) **Gratuity for loss of career to inferior servants.**—This Government are unable to agree to the grant of compensation on the scale proposed by the Government of India. The inferior servants may be given gratuities on the scale given in Article 481 (a) Civil Service Regulations. For service below 5 years however the gratuity may be one month's pay for each completed year of service up to a maximum of 3 months' pay.

(8) **Temporary personnel in superior service specially admitted to the leave and pension terms applicable to permanent personnel.**—There are no such officers in this province.

(9) **Temporary personnel in superior service.**—Temporary officers are not now entitled to any pension or gratuity however long the service may be. Whereas it is true that the temporary service will count for pension if followed without break by permanent service, yet transfers from the temporary establishment to the permanent staff are dependent upon the occurrence of vacancies and are comparatively rare, are made by selection and are in no sense guaranteed. The terms and conditions of such temporary service are well understood and have been accepted and acted upon for years. This Government see no reason to depart from them now merely because a contingency has arisen which the organisation of establishments on a temporary basis was from the first intended to meet. This Government would therefore not be prepared to grant to these temporary employees gratuities or compensation which the temporary employees never had any reason to expect. They may however, be given a promise of re-employment within 3 years in preference to new men provided their past record is good, and if so re-employed within 3 years they may be entertained as nearly as may be at the point in the temporary scale which they had reached before they were discharged. This Government see no reason to give them concessions regarding leave: if re-entertained they may be credited with such leave as had been earned on the date from which their

service were dispensed with, the break in their service being condoned.

(10) **Inferior servants in temporary employ.**—The Government do not see any good reason for the grant of leave concessions.

8. The other detailed proposals of the Government of India are accepted by this Government.

III. Telegram from the Government of Bengal, No. 925., T/2 dated the 10th October, 1931.

Denning's letter, 15th September, compensation for axed Government servants full consideration deserved by importance of proposals not possible in very brief time allowed but Bengal Government on preliminary view think them generally acceptable subject to two observations. First, if axing at all, extensive proposed obligatory commutations will prove embarrassing financially and cannot be financed unless the money is borrowed from the Government of India. Second, proposed treatment of temporary personnel seems needlessly generous.

IV. Letter from the Government of Bombay, No. 2749/3, dated 8-10-1931.

I am directed to reply to your Circular letter No. F. 78-II-Ex. I/31, dated the 15th September, 1931, and to regret that the Government of Bombay, owing to the facts that the Legislative Council is in session, and that only one copy of the letter was received, have been unable to reply more punctually. A telegraphic summary of their views has already been despatched.

2. In reply to the questions put in para 2 of your letter I am to say:—

- (a) that the proposals in respect of personnel serving in this Presidency whose terms of service are controlled by the Secretary of State, do not commend themselves to the Government of Bombay; and
- (b) that those affecting the lower services are likely to embarrass the local Government in dealing with similar personnel whose conditions of service they are competent to determine.

for the reasons briefly given in the following paragraphs.

3. The proposals would appear to have been designed to give the maximum degree of compensation claimable, and to overlook to a dangerous extent the object in view, which is the saving of public money. In the present circumstances, of this Presidency at any rate, financial considerations are paramount. It is true that in the past there has been an almost unanimous consensus of opinion among local Governments that the concessions laid down in the Civil Service Regulations were insufficiently generous for wholesale retrenchment. But in the opinion of the Government

of Bombay the present scheme goes to the opposite extreme, and they are not satisfied that the possible "wholesaleness" of retrenchment is sufficient justification for so great a departure from terms which have been considered adequate in individual instances.

4. While then it is admittedly desirable to treat with all possible equity servants discharged for no fault of their own, it must be equally admitted that in the present circumstances of financial embarrassment it is quite impracticable to compensate fully for loss of career. And the Government of Bombay are not convinced that equity in any case demands that compensation for loss of career should apply equally from top to bottom. Such a claim surely ignores social and market conditions, and the special training required for certain superior services. There can be no comparison for instance in this respect between an officer of the Forest or Irrigation Departments, and a low-paid officer doing the clerical work of a Government office. Concessions which may be suitable for the one may be excessively generous for the other, the absorption of whom with the revival of business activity would be much less difficult.

5. It is proposed in addition to the compensation awardable under the Civil Service Regulations to grant the following concessions :—

- (a) to allow all leave due (up to 28 months) ;
 - (b) a gratuity for loss of career of one month's pay for each year of service ;
 - (c) to substitute a proportionate pension for the gratuity in the early years of service ;
 - (d) to allow commutation of this pension in full up to 10 years' and as to half up to 15 years' service.
- (a) Would have the effect of postponing the benefit of retrenchment unduly, when immediate results are wanted ; and is difficult to justify in combination with the other concessions proposed.

(c) and (d) combined mean a cash payment which amounts to as much as 2 years' pay for an officer of 9 years' service, without any compensation for loss of career.

6. The Governor in Council is constrained to hold that these terms are unduly generous. It has already been stated that financial considerations must be paramount. Compensation to the extent to which it was considered necessary, for example, in Egypt, to officers deprived of their careers on political grounds, can hardly be justified in the circumstances of today. I am to

suggest for comparison the terms given to officers prematurely retiring for political reasons on proportionate pension. Except for most instances between 5 and 10 years' service the conditions laid down in Appendix D are incomparably more generous. And below 5 years' service an officer retiring under the former rules is given a gratuity only.

For these reasons, the Government of Bombay is compelled to dissent from the proposals relating to personnel whose terms of service are regulated by the Secretary of State. In respect of officers entitled under the Civil Service Regulations to a gratuity only, they suggest that an addition of 50 per cent. (*e.g.*, 9 months' pay for 6 years' service) would not be ungenerous; and they accept the proposals to give a right of commutation for officers entitled to pension. In the financial conditions existing they are unable to justify the addition of a gratuity for loss of career; but would accept the concession of all leave due upto the maximum admissible rule.

7. Coming to the services directly under the control of the local Government the same arguments apply with even greater force, particularly to the clerical establishments. There is the additional difficulty that with returning prosperity and expansion of the normal activities of Government many of these servants will again seek Government employment. What will be the position? It will neither be fair nor economical to apply the rules for new recruits to such men, and the recovery of commuted pension or gratuity for loss of career would provide a knotty and unwelcome problem. The right of commutation in the case of clerical establishments at any rate will require more careful consideration. The terms proposed for officers "permanently employed in non-pensionable service" would presumably apply in this Presidency to specialist officers on contracts of indefinite period. These may be held to be quasi-permanent. Those whose service have recently been dispensed with under retrenchment have been given on the advice of the Public Service Commission gratuities equal to one month's pay for each year of service. The Government of Bombay are not convinced of the need of doubling this compensation. And the same objection holds in respect of temporary servants. Many of these in the ordinary course do not expect to serve continuously and it seems likely that in the course of time a number of them will again be taken up into temporary service.

The terms proposed for inferior servants are not wholly applicable to this Presidency where the ordinary pension rules apply; but here again the rates proposed seem to the Government of Bombay to be quite out of proportion to compensation being offered in similar circumstances by business houses.

The Government of Bombay realize that the last analogy is not quite good, and acknowledge that the proposals must be intended to mitigate to some extent the hardships and unrest that may be caused by considerable additions to the ranks of the unemployed or dissatisfied servants of Government. But they frankly see no prospect of being able to free themselves from the embarrassment of retrenchment of this kind. They are in need of immediate relief, but by the time they have met the cost of the relief now suggested, they hope that much of the need for it will have passed away.

V. Letter from the Government of Punjab, No. 31128-F, dated the 19th October, 1931.

In continuation of my "Confidential" letter No. 7740-S, dated the 8th October, 1931, I am directed to reply to your "Strictly Confidential" letter No. F. 78-II, Ex. I/31, dated the 15th September, 1931, asking for the opinion of the Governor in Council on certain draft terms for personnel retrenched in consequence of the present economy campaign. In particular it is asked whether these proposals:

- (a) commend themselves to the local Government as suitable for application to personnel serving under their administrative control whose terms of service are regulated by the Secretary of State in Council; and
- (b) are unlikely to embarrass them by analogy when they come to decide on terms for compulsorily retrenched personnel whose conditions of service they are now competent to determine.

2. The Governor in Council in consultation with his Ministers has considered these proposals with great care. It may be admitted that in theory the expressed intention of the Government of India that all civil servants of Government high or low, whose careers are prematurely terminated owing to the exigencies of the present financial emergency, should be given identical treatment is unexceptionable. There are, however, the Governor in Council feels, practical considerations which make it possible to draw a sharp distinction between an officer recruited in Europe and suddenly retrenched say at the age of 35 or 40, and his Indian brother officer. The former has to start life again in a country with which he has for many years perforce lost touch and in which conditions of employment are at the moment and are likely to be for several years to come, peculiarly difficult. The Indian officer remains in the country where he was born and brought up and can in many cases count on the good offices of his relations. The proposals of the Government of India seem to have been evolved with a view

to compensating adequately the officer recruited in Europe. If this standard is to be of universal application, then the Governor in Council considers that local Governments will be put to very heavy, and, in his opinion, unjustifiable expense. If the Government of India do not feel justified in differentiating between officers of European and those of Indian domicile, then the Governor in Council considers that, in view of the financial results to local Governments of adopting too generous a standard of compensation, the scales laid down should be those which are suitable for the majority of Government servants who are likely to be retrenched, that is to say, for officers of Indian domicile.

3. Keeping this principle in mind the Governor in Council has the following comments to make on the detailed draft proposals of the Government of India :—

A.—For pensionable personnel in permanent service other than inferior servants.

1. **Notice.**—The proposal to give three months' notice of discharge, or gratuity in lieu thereof, is in accordance with Article 436, Civil Service Regulations, and is accepted.

2. **Pensions.**—The Governor in Council accepts the proposal that all Government servants should be offered a compensatory pension calculated at the rate of one-sixtieth of the average pay for each completed year of qualifying service. He also agrees that all leave due up to a maximum of 28 months should be allowed to count towards total service for ordinary pension and leave admissible on average pay up to 4 months for active service. He also agrees to the proposal about counting leave for administrative pension.

3. **Commutation of pensions.**—The Governor in Council considers that these proposals are unduly generous. We would not depart from the rules which at present govern commutation of pensions except in the case of pensions which do not exceed Rs. 10 p.m., commutation of which should, he agrees, be compulsory.

4. **Gratuity for loss of prospects.**—In the Punjab the retrenchment of personnel has hitherto been confined to officers (a) who have completed 25 years' service, or (b) are on strictly temporary terms, subject to one month's notice, or (c) have been selected for retrenchment in consideration of an unsatisfactory record of service. As long as retrenchment continues on this comparatively small scale and is confined to carefully selected officers, the Governor in Council feels that the grant of a gratuity for loss of prospects is unnecessarily generous and will impose a very heavy financial burden on provincial finances. He would

prefer instead to make some addition to the amount of pension admissible. This might take the form of an increase of 10 per cent for officers of less than 20 years' service and of an increase of 5 per cent for officers of more than 20 years' service.

He would allow commutation of this extra element in addition to the proportion of the pension which the ordinary rules allow to be commuted.

5. Leave.—The Governor in Council would allow an officer to take all the leave due to him on average pay up to the permitted maximum of 8 months ex-India and 4 months in India. Leave ex-India should not be allowed to retrenched officers of Provincial Services. This leave should not be additional to the three months' notice of discharge. Further than this, he would not go in the way of allowing leave, although he is prepared to allow that all leave due to whatever kind should count towards service qualifying for pension.

6. Repatriation.—The Governor in Council thinks that this proposal is reasonable.

B.—For superior personnel in permanent non-pensionable service

(a) who receive Contributory Provident Fund, and

(b) who receive no such contribution.

There are very few such officers in the Punjab. While the Governor in Council agrees that they should be compensated in some way, he would prefer to deal with each case on its merits.

C.—Inferior servants in pensionable service.

The Governor in Council agrees to the proposals of the Government of India.

D—For temporary personnel in superior service admitted to the leave and pension terms applicable to permanent personnel.

It is believed that there are no such officers in the Punjab.

E.—For other temporary personnel in superior service.

There is a considerable number of officers in both branches of the Public Works Department in the Punjab who fall under this category, some of whom have seen many years of service. The Governor in Council's inclination would be to allow these officers compensation on the following scale:—

Over 3 years of service and under 5 years of service	...	...	...	...	3 months' pay
Over 5 years of service and under 10 years of service	...	...	...	...	4 months' pay

Over 10 years of service and under 20 years
of service 6 months' pay

Over 20 years of service under 25 years of
service 4 months' pay

F.—Inferior servants in temporary service.

The Governor in Council considers that one month's notice and one month's leave on full pay is sufficient for this class of Government servants.

VI. Orders in Sub-Committee of Executive Council held on the 30th October, 1931.

The Retrenchment Sub-Committee of Executive Council held its fifth meeting on 26th October to consider the terms of compensation to be granted to retrenched personnel with special reference to the provisional circular, the criticism of local Governments thereon, the proposals of the recent conference between the Home and Finance Departments and the views of the Chief Commissioner and Financial Commissioner, Railways, who were present at the meeting.

(1) It was decided that if a retrenched person went on leave or was sent on leave the period of notice should merge in leave. If, however, he was compelled by Government to serve during the period of notice, he would be entitled to his full leave at the end of it. Suitable provision be made in the rules.

(2) As regards Government servants with less than ten years' service, the terms in the circular appeared to be unduly generous and on that score had been severely criticised by local Governments. It was decided that it would be sufficiently liberal to extend the pension scale down to seven years' completed service and to adhere to the Civil Service Regulations gratuity below seven years. In addition they would be granted half month's pay for each year of service as compensation for premature retirement.

(3) It was decided that the gratuity should be fixed at half month's pay throughout instead of one month's pay for each year of service but that the ascending and descending scale should be as proposed in the circular subject to the modification that the proposal of the conference as regards ministerial service be accepted.

(4) It was decided to accept to the terms of the circular that all leave due should be granted and allowed to count for pension. The Honourable Sir Fazl-i-Hussain dissented and expressed the view that only full pay leave should so count.

(5) Commutation of pension throughout should be governed by the ordinary rules.

(6) As regards the view of certain local Governments that the term should not apply in the case of personnel who could

under 465-A, Civil Service Regulations be required to retire after 25 years' service it was explained that this rule was intended for individual cases of inefficiency, etc., and not for such cases of wholesale retrenchment as those contemplated at present. While the ordinary practice should be that compensation should be given to personnel discharged after 25 years' service, it was not intended to abrogate the use of the rule 465-A where justifiable.

(7) As regards proposals for temporary staff in superior service, it appeared that there was considerable variety in the terms of such service and in the views of local Governments. It was considered that it was not desirable to attempt to lay down a general rule for this class but that the terms on discharge should be governed by existing contracts or by existing orders or practice with special consideration where necessary.

(8) The remaining proposals in the note of the conference relating to inferior servants were accepted.

VII.—Note by Secretary, Home Department (Mr. H. W. Emerson), dated 5-11-31.

I understand from discussion with Mr. Tennant that the only previous papers, which the Secretary of State has seen, are the letter to local Governments of the 15th of September (Serial No. 1) and its enclosures. He has not seen the replies of local Governments and he knows nothing of the reasons which have influenced the Government of India in making substantial reduction in the terms originally proposed. This being so, the Secretary of State is likely to react strongly to a comparatively brief telegram, merely stating what is now proposed, without giving any reasons for the changes made. I would suggest that the Secretary of State be addressed by Express Letter to be despatched by next Air Mail, with which would be sent copies of the letters of local Governments. The letter might state the reasons why the original proposals have been modified, explain that the subject has been very carefully examined in Executive Council and mention that the Government of India have had to put into immediate effect the terms relating to Government servants under their own control. At the same time, the recommendation may be made that these terms should be applied to the Secretary of State's Services, except the Indian Civil Service. I would not employ the argument in favour of uniformity at this stage, since this would give the Secretary of State ground for complaint that the action of the Government of India had, to some extent, committed him. If he presses for more liberal terms for his services, the argument can then, if necessary, be advanced that this will be embarrassing both to the Government of India and local Governments in dealing with their services.

Sd./—H. W. Emerson.

5-11-31.

**ANSWER TO S. A. E. QUESTION PAPER OF
JANUARY 1953.**

I. PRECIS.

Subject :—Payment of compensation to Government servants who would be discharged as a result of the retrenchment policy.

The Government of India in their letter No. F. 78-11. Ex-1/31 dated the 15th September, 1931, addressed to all Local Governments and Administrations, referred to the draft terms of compensation for personnel-excluding the Indian Civil Service and Military Commissioned Officers in civil employ earning military pension—who would be retrenched before the age of superannuation as a result of the economy campaign, and requested those Governments to state whether the proposals in the annexed draft scheme :—

- (a) commended themselves to them as suitable for application to personnel serving under their administrative control whose terms of service were regulated by the Secretary of State in Council, and
- (b) were unlikely to embarrass them by analogy when they came to decide on terms for compulsorily retrenched personnel whose conditions of service they were competent to determine.

The terms of compensation for loss of career in respect of the various categories of Government servants (superior and inferior ; permanent and temporary), as indicated by one of the Local Governments, amounted to :

- (a) all leave due up to 28 months,
- (b) a gratuity for loss of career of one month's pay for each year of service,
- (c) a proportionate pension instead of the gratuity in the early years of service, and
- (d) commutation of that pension in full up to ten years and half up to fifteen years' service.

2. From the replies received it was clear that the Government of Madras, Bengal, Bombay and Punjab regarded the draft terms as needlessly generous. The reason for the grant of special concessions as had been proposed was that the officers affected were to be discharged because the Government could not afford to pay them.

In the opinion of the Madras Government there was no obvious reason why the rules in C.S.R. applicable in ordinary cases should

not be applicable in the other, and yet, they appreciated the liberal treatment which would avoid discontent in the services at a time when a severe strain was placed on their loyalty. The Government of the Punjab while admitting in theory the propriety of identical treatment to all civil servants, desired to draw a clear distinction between European and Indian officers, as the former would have to start life again in a country with which they had lost touch for many years. If, however, such a distinction was not possible, the standard of compensation to be adopted, in view of the financial results to Local Governments should be that which would be suitable for officers of Indian domicile. In regard to the application of the scheme the Madras Government suggested that the draft terms should not apply to (a) officers who could be retired after they had completed 25 years' qualifying service, (b) officers who have rendered 30 years' qualifying service but who had not reached the age of superannuation, and, (c) ministerial servants who were required to retire after 55 years but before the age of 60. But it must be remarked here with reference to point (a) that the Government of India intended the present terms for cases of wholesale retrenchment and not for those of inefficiency to which the ordinary provisions in 465-A., C.S.R. would apply.

3. The Local Governments made elaborate comments on the detailed proposals of the Government of India, and the Sub-committee of Executive Council subsequently adopted them subject to certain modifications.

Pension for officers with less than 10 years' service.

The proposal was to replace earned gratuity by a pension in the case of officers with less than 10 years' service, of one-sixtieth of the average pay of each completed year of qualifying service. The grant of this concession, the Madras Government feared, would give room for discontent and provide a most undesirable precedent. But the Government of India decided to extend the pension scale down to seven years' completed service and to adhere to the C.S.R. gratuity below seven years.

Commutation of pension without medical examination

The Local Governments were opposed to any relaxation of the existing scheme of pension commutation. The Madras Government observed that if the idea behind the concession was to ensure each discharged officer a lump sum of money on discharge, it could be more properly secured by the payment of a compensation bonus. The Punjab Government would make the commutation of pensions which did not exceed Rs. 10/- p.m. compulsory. The Bengal Government pointed out that all obligatory commutations would prove embarrassing financially, that is to say, leading to borrowing from the Government of India. The Government of India there-

upon came to the decision that commutation of pension throughout should be governed by the ordinary rules.

Gratuity for loss of prospects

The Madras Government accepted the offer of Gratuity subject to the condition that no separate and more generous scale of compensation would be allowed to ministerial servants for the reason that they might continue in service up to the age of 60. The grant of gratuity would mean one month's pay for each year of service up to a maximum of 15 months' pay after 15 completed years for services in which the normal age of superannuation was 55 or for completed years between 15 and 20 for services in which the age of superannuation was 60, subject to the condition that if the completed years of service exceeded that limit, the gratuity would be diminished by one month's pay for each completed year of service in excess of the limit. The Government of Bombay were unable to justify the addition of such a gratuity for loss of career. The Government of Punjab felt that the grant of a gratuity would increase the financial burden of the provinces, and preferred instead to make some addition to the amount of pension admissible. In the light of these comments made by the Local Governments, the Government of India modified that concession to half a month's pay for each year's service subject to the ascending and descending scales proposed.

Leave

The Government of Bombay would accept the concession of all leave due up to the maximum admissible, The Government of the Punjab desired to allow all leave on average pay up to the maximum of 8 months ex-India and 4 months in India, but added a condition that leave ex-India should not be allowed to officers of Provincial services and that the leave should not be additional to the three months' notice of discharge. The Government of India finally decided that all leave due, should be granted and allowed to count for pension. But the Hon'ble Sir Fazl-i-Hussain dissented and opined that only full pay leave should so count.

Repatriation

The proposal was that a Government servant admitted to retrenchment terms would receive travelling allowance for self and family according to S. R. 116 from his working station to a place in or out of India where he would settle down within six months of his discharge. The Punjab Government regarded this as reasonable, but the Madras Government were unable to approve of any concession other than that provided in the Superior Service Rules and the Passage Subordinate Rules. They suggested, how-

ever, that the cases of officers whose right to passages under the existing rules was exhausted might be considered, each on its merits.

Inferior servants in pensionable services

The Madras Government strongly objected to any alteration of the existing system of gratuities and its replacement by a system of pensions, of course, on financial grounds. The Government of Bombay observed that the rates proposed seemed to be quite out of proportion to compensation being offered in similar circumstances by business houses.

Gratuity for loss of career to inferior servants

The Madras Government did not agree to the grant of compensation on the scale proposed by the Government of India.

Temporary personnel in superior service

Opinions varied on the proposal to grant leave and gratuity to this class of officers. The Bengal Government viewed the proposed treatment of temporary personnel as needlessly generous. The Madras Government, while refusing to grant gratuities or compensation to temporary employees, stated that those employees had absolutely no reason to expect such concessions, but they would hold out a promise to re-employ them when they were needed under certain conditions to be fulfilled. The Punjab Government, having to deal with a large number of temporary personnel, suggested a new scale of compensation. As the views of the Local Governments greatly varied, the Government of India considered it undesirable to lay down a general rule for this class, but expressed that the terms on discharge should be governed by existing contracts or orders or practice with special consideration wherever necessary.

Inferior servants in temporary employ

The Government of Madras knew of no reason behind the grant of leave concession, but the Punjab Government would allow one month's notice and one month's leave on full pay.

4. The Secretary, Home Department, finally suggested that the Secretary of State be addressed by an express letter containing the reasons why the original proposals had been modified, and recommending that those terms might be applied to the Secretary of State's Services, except the Indian Civil Service. If more liberal terms for his services were pressed, the argument could be advanced that they would embarrass both the Government of India and Local Government in dealing with their services.

IMPORTANT POINTS TO BE NOTED

(1) The subject-matter of the opening paragraph in the precis is to be sought in the circular of the Government of India.

(2) The draft terms annexed to the letter are to be read through and understood but not appropriated for Precis purposes. They are useful only in so far as you may be able to follow the comments and criticism on them made by the several Local Governments.

(3) The Local Governments pointed out the impact of financial burden on the public revenues as a result of the implementation of the proposals, but they see some justification for liberal treatment to the services at a time when a more severe strain than usual is placed on their loyalty.

(4) Each item indicated in the Draft Terms should be dealt with specifically with reference to the opinions of the Local Governments. Such a procedure is facilitated by your closely adhering to the comments made by the Bombay Government.

(5) The differences and agreements in view points among the Local Governments should be studied with care.

(6) The final decision of the Government of India in the Sub-Committee of the Executive Council bearing on the proposals in the Draft Terms should be mentioned at the right places. This is one of the most vital parts of the correspondence which must never be lost sight of.

II. DRAFT.

EXPRESS LETTER.

No.....

GOVERNMENT OF INDIA,

Home Department.

From

The Secretary to the Government of India,

Home Department.

To

The Secretary of State for India.

London,

New Delhi ; dated the.....1931

Subject :—Payment of compensation to Government servants who would be retrenched under a scheme of economies.

My Lord,

I have the honour to invite a reference to the correspondence resting with the letter from the Government of India, Finance Department No.....dated.....accompanied by a copy of the circular No. F. 78—Ex-1/31 dated the 15th September, 1931 addressed to all Local Governments and Administrations in India, dealing with the subject of compensation to Government servants whose services would be dispensed with as a result of the economy campaign. The Government of India have since received the replies of the Local Governments which are enclosed.

2. The Local Governments are unanimous in their opinion that the concessions mentioned in the draft terms are needlessly generous and that terms such as the grant of all leave due up to 28 months would have the effect of postponing the benefit of retrenchment unduly when immediate results are looked for. In granting compensation to Government servants thrown out of employment, the financial considerations must be regarded as paramount. The whole question has been carefully considered by the Executive Council and some modifications in the concessions have been effected.

(a) Notice of discharge.

The Government of India have decided that if a retrenched person went on leave or was sent on leave the period of notice should merge in leave. If, however, he was compelled by Government to serve during the period of notice, he would be entitled to his full leave at the end of it.

(b) Pensions for officers with less than 10 years' service

The terms in the circular appeared to all Local Governments to be unduly generous and were calculated to create a most undesirable precedent. So the Government of India have decided to extend the pension scale down to seven years' completed service and to adhere to the C.S.R. gratuity below seven years. They have also approved the grant of half a month's pay for each year of service as compensation for premature retirement.

(c) Commutation of pension.

The Local Governments being opposed to obligatory commutation in relaxation of the existing scheme of commutation, the Government of India have decided that the commutation should be governed by the ordinary rules.

(d) Gratuity for loss of career.

In view of the financial implications of the payment of gratuity according to the draft terms, the Government of India have modified the concession to half a month's pay for each year of service, but would stick to the ascending and descending scales as proposed in para 4 of the Draft terms.

(e) Leave.

The Government of India accept the terms of the circular that all leave due should be granted and allowed to count for pension.

(f) Temporary personnel in superior service.

In the face of considerable variety of views expressed by the Local Governments, the Government of India do not like to frame a general rule for this class, but feel that the terms on discharge should be governed by existing contracts or orders, or practice with special consideration where necessary,

(g) Inferior servants.

The Local Governments have remarked that the terms applicable to inferior Government servants are needlessly liberal, but the Government of India, in consideration of the miserable plight of the dispossessed men are opposed to any reductions in the concessions meant for them.

3. I am to state that as a result of the proposed retrenchment some of the officers belonging to the Secretary of State's Services would also be affected. The Government of India recommend that the Secretary of State may be pleased to approve these terms for those services also.

4. In view of the urgent need of effecting economies at the earliest possible date, the Government of India solicit the early orders of the Secretary of State.

Your Lordship's most obedient servant,
Designation.

Enclosure : Letters from
the Local Governments.

IMPORTANT POINTS

(1) The modifications suggested by the Local Governments and the alterations made in the original terms by the Government of India have to be pressed into service in making out the draft. Details purely technical and departmental are likely to mar the beauty of the draft as a composition. But the candidates must bear in their minds the absolute necessity of those details and accordingly make the best of a bad job.

(2) Sections VI and VII should be made use of to the fullest extent while preparing your draft.

(3) Remember the instructions of Mr. Emerson in note VII.

S. A. E. 1.
JULY 1953.

Time allowed—3 hours]

[Maximum Marks—150.

Marks.

- I. Prepare a brief precis of the notes and correspondence given below. 90
- II. On the lines of the note of Mr. E. T. Coates dated 19-3-1937, draft a reasoned letter from the Finance Department to the other Departments of the Government of India, communicating the decision of Government to abolish the compensatory allowances admissible in Bombay and Calcutta with effect from 1-4-1937. 60

Confidential demi-official letter, dated the 17th April, 1936, from Mr. P. R. Rau, Financial Commissioner of Railways. to the Honourable Mr. J. C. Nixon, C.I.Y., I.C.E., Secretary to the Government of India, Finance Department.

I have been feeling for some time that owing to the fall in rents in Calcutta and Bombay and also the fall in prices, the time has come to reconsider the whole scheme of compensatory allowances in Presidency towns.

2. As a revision of the scheme will affect all Central Departments at these places, I shall be glad to know if you agree that the whole question may be considered by a committee of Departmental officers as in 1924 or 1925. If so, I take it the Finance Department will take the initiative in the matter.

Demi-official letter No. D. 2271-Ex. II/36, dated the 27th April, 1936 from E. T. Coates, Esq., I.C.S., Joint Secretary to the Government of India, Finance Department, to P. R. Rau, Esq., Financial Commissioner, Railways.

Your D.O. of the 17th concerning compensatory allowances in Presidency towns.

2. We will take this matter up and will let you know in due course what action we propose to take.

The question of continuing the cuts levied on compensatory allowances in 1931 as a temporary measure (F. 2/XIX/Ex. II/36) has been settled and it has been decided to make the percentage cuts permanent. The orders will apply also to the

compensatory allowances granted on account of the expensiveness of living in the Presidency towns of Bombay and Calcutta, and in Rangoon under our scheme of 1924. As the intention has throughout been to treat all compensatory allowances alike in the matter of their reduction as a result of the fall in prices (F.2-IV/Ex.II/34) it would not be considered necessary to subject the 1924 compensatory allowance to any further scrutiny from this point of view. We have already decided not to make any distinction between old and new entrants in the matter of this cut, *vide* Under-Secretary's notes dated the 5th and 13th September, 1935, on files *re* allowances for new entrants to the Survey of India and Income-tax Departments.

2. There remain the house rent allowances granted to Central Government's officers serving in the Presidency towns, and Rangoon and Karachi. Here too these allowances should, it is submitted, not be taken up for consideration separately, but should receive, in the matter of revision, the same treatment as may be accorded to house rent allowances in general. The orders of 1931 exempted all house allowances from the temporary cut, because it was felt that house rents react slowly to a fall in prices. Subsequent enquiries from Local Governments confirmed this view, particularly with regard to the towns with which the scheme of 1924 is concerned, and consequently the exemption in favour of the house rent allowances has been allowed to continue, so far. Indirectly, however, the house rent allowances granted to our officers in Bombay, Calcutta and Rangoon have been adversely affected to a certain extent, by the fact that whereas the normal percentage of cut is $10\frac{1}{2}$ it is $12\frac{1}{2}$ in the case of costs of living allowances, concurrently with which a house rent allowance is admissible. This should be enough to cover any slight reduction in rents that may so far have occurred and we need not, for the present, pursue the question whether the rates of house rent allowances sanctioned in 1924 are susceptible of any further reduction. Although our scheme is independent of the scales of such allowances sanctioned by Local Governments (File No. 226-C.S.R./24, also F.2-XIX Yx. II/35), it would not be out of place to mention that the Government of Bombay have made no reduction in the house allowance admissible to the All-India Service officers serving under them. Their scheme (Bombay C.S.R. Manual Vol. II. pp. 352-353 and 349) is on the same lines as ours in 1924. For other officers their maximum is only Rs. 75 p.m. The Bengal Government have, on the other hand, reduced the maxima admissible under the Calcutta House Allowance Scheme and the percentage of reduction varies between 8 and 10 (File No. 7-XXXIV-Yx. II/33). The concession admissible under this scheme is, however, even now more favourable than that admissible under our scheme (for this reason we have, in recent cases of localised Central

Government posts, applied our scheme instead of the Calcutta House Allowance Scheme) and it is not accompanied by compensatory (cost of living) allowance, which in case of our officers, is granted for the reason, that they are on a general scale of pay and are liable to transfer throughout India, and has been subjected to a higher cut than other cost of living allowances, which are not accompanied by a house rent allowance. If it is a case that house rents have fallen down, it must be all over India and not only in the towns to which our scheme of 1924 for Central Government officers applies. In introducing the cuts in 1931 house allowances were exempted except (to the extent indicated above) those admissible under the scheme of Calcutta, Bombay and Rangoon. If a reduction is to be made, it should apply also to the house allowances given in all other places in India. But generally these are based on the rates given by the Local Governments concerned for its employees and any modification made by the Local Government is applied *mutatis mutandis* to the employees of the Central Government, e.g., the recent survey of India case (F.2/VII/Ex. II/36). As regards compensatory allowances, we have issued an order (No. D./4292 Ex. II dated 7th December, 1933), according to which the reductions made by the local Governments apply *ipso facto* to officers of the Government of India (except of course those governed by the scheme of 1924.) The general question of reduction of allowances was exhaustively considered in 1931. House rents have not fallen down further since then. (On the other hand in Karachi there has been a rise in rents but we have refused to increase house allowances (F. 2/XX/V/Ex.II/39).] There does not, therefore, seem to be any necessity for reconsidering the orders with regard to the cut which was introduced as a result of the examination of the general question and which has just been made permanent. If this conclusion is accepted, the F. C., Railways, will be informed accordingly.

The relevant facts are stated in the office notes with which I agree generally. As we have just decided to make permanent the temporary cut in compensatory (cost of living) allowances imposed in 1931, it would perhaps be inexpedient, even if it were justifiable to make any further reduction at present. The existing cut in compensatory allowances is 10 per cent. When drawn alone and 12½ per cent. when drawn concurrently with a house rent allowance.

As regards house rent allowances also (which have not been subjected to any cut) it seems doubtful whether any action need be taken at present. The Bombay and Madras Governments have not reduced their scales and the Bengal Government's scale is, as pointed out by office, more generous than our 1924 scale, though the former was last revised in 1933.

Our 1924 scheme, referred to by Mr. Rau applies generally to the officers of the superior service (and to a few class II services) whose pay is fixed on an all-India basis and who are liable to transfer throughout India. For subordinate services, where a compensatory or house-rent allowance is granted, we usually follow the Local Government's scales.

B. Grice, 24-6-36.

I would like the enquiry concerning house-rents made in 1931 to be repeated.

2. Please compare in one or two typical cases, *e.g.*, an A.G., an Asstt. A.G., an A.A.O., an Asst. Collector of Customs, the local allowances he would draw under :

(a) Central	} Rules.
(b) Bombay	
(c) Calcutta	
(d) Madras	

3. In addressing Local Governments concerned, ask them to let us know roughly what hotels and boarding houses in their Presidency charge for

(a) Married	} Accommodations per month, now
(b) Unmarried	

compared with 1924.

4. How do we apply Rule 3 of our 1924 rules? If the portion of the charge allocated to rent is less than 10 per cent. of the officer's pay, I presume he gets nothing?

E. T. Coates, 24-6-36,

A draft to the Governments of Bengal, Madras, Bombay and Sind is put up for approval. In view of impending separation of Burma, it seems hardly necessary to include Rangoon in the scope of the enquiry.

2. The presumption in para. 4 of J. S's note is correct. In this connection, please see E., H. & L. Departmental File 14-3-36-G, which indicates the procedure for allocating to rent a portion of the inclusive charge made by a hotel for board and lodging.

B, G. 8-7-36.

Para. 2 of Joint Secretary's note.—A statement is attached (not printed). The position is as follows :—

- (a) Compensatory allowances for cost of living.
- None for local officers in Calcutta.
 - In Bombay the rate for local Government officers now 12½ per cent. above of the Central Government officers.

- (iii) In Karachi the Local Government officers get allowances at half the rate admissible for Bombay, while Central Government officers do not get any allowance.
- (iv) In Madras neither local nor Central Government servants are allowed any allowance.
- (b) House-Rent Allowance.
 - (i) In Bombay and Karachi our rates are the same as local Government rates.
 - (ii) In Madras, our rates are lower for comparatively low paid officers. For officers with higher salaries, the rates work out to the same amounts as for local Government officers.
 - (iii) In Calcutta the position is the same as in Madras but in the case of officers with high salaries (about Rs. 2,000 and above) our officers get much higher allowances than local Government officers. For example, Central Government officer drawing Rs. 3,000 may draw an allowance of Rs. 375 p.m. while a local Government officer will get only Rs. 100 p.m.

Paras. 1 and 3,—Letter is being issued.

Para. 4.—The presumption in para. 4 is correct. Judging from the case in E., H. & L. Department, file No. 14—3/36-G., it appears, we are entirely guided by the statement of the manager of the hotel as to what proportion of the total demand is classifiable as rent. The proportion shown as on account of rent is far too high. Hotel charges are classifiable into (a) rent, (b) food, (c) service. It is unbelievable that rent accounts for 2/3rds of the total hotel charges.

Mohamad Ali, 10-7-36.

Issue the draft and await the replies.

E. T. Coates, 10-7-36.

I have had a statement prepared (not printed) which compares the local Governments' rates for compensatory and house rent allowances with those admissible under 1924 scheme.

2. *Compensatory (cost of living) allowance.*—We give these in Calcutta and Bombay only and have recently imposed a permanent cut of 12½ per cent. Bombay Government rates are equal to our old uncut rates, while Bengal Government employees do not get any such allowance. It would probably be too drastic a step to follow the Bengal Government in this matter and we may leave our present rates untouched.

3. *House rent allowances.*—I agree with the conclusion in the office note that while the rates in Madras and Karachi may be left as they are, those in Calcutta and Bombay may be reduced to 10 per cent. and 12 per cent. respectively.

4. The next question is the maximum limit to be put upon the amount of the allowance. This can be achieved in two ways :

- (a) by limiting the allowance to a certain figure. Suitable limits would be Rs. 100 for Madras, Rs. 200 for Karachi and Calcutta and Rs. 250 for Bombay.
- (b) by limiting the total rent to, say, Rs. 300 in Madras, Rs. 400 in Karachi and Calcutta and Rs. 450 in Bombay.

The application of either of the limits proposed above would mean that officers drawing pay above Rs. 2,000 would draw less house rent allowance than would otherwise be admissible to them. The latter method operates more harshly than the former. To give an example, while under (a) an officer drawing Rs. 3,000 would be entitled to the allowances mentioned therein, under (b) he would get nothing in Madras, Rs. 100 in Karachi and Calcutta and Rs. 150 in Bombay. I suggest that we may adopt (a),

Mohamad Ali, 1-3-37.

I have discussed this case with Secretary and Additional Secretary. Our joint view is that now-a-days the only real element in the expensiveness of living in all these places is house rent. Other costs of living in Bombay and Calcutta where above compensatory allowances also are granted, cannot be said to vary sufficiently markedly from those in other large states in India, as to justify any special compensation allowance. It is in fact common place knowledge that these allowances are a mere source of profit, and Finance Department are constantly receiving evidence of it. When officers leave for other stations where no such are available, we are usually pressed to compensate them for the loss of the allowance in one way or another—either granting special pay, or by advance increments, or by special rates of pay. For this and another reason also these compensatory allowances are becoming an unjustifiable administrative nuisance. They were originally intended for officers on a general scale of pay who were liable to transfer from one station to another. We have constantly been pressed to extend them to people for whom they were never intended and on some occasions have given in. Further, Bengal have steadily and rather bitterly refused to grant compensatory allowances to their officers in Calcutta.

2. Finance Department are of opinion that as long as Government protect an officer against the excessive house-rents at these places, no other protection is necessary and accordingly consider

that the compensatory allowances in Calcutta and Bombay should be abolished on the next change of the incumbency of posts now entitled to them. There is ample evidence on the file to justify also a considerable cut in house-rent allowances, but Finance Department would be prepared to leave these as they are, provided the compensatory allowances cease.

3. I have discussed with Mr. Maxwell who agreed that this step might be taken. Please draft. I will show it to Mr. Maxwell.

E. T. Coates, 19-3-37

Serial No 1—Letters to the Governments of Bengal, Madras, Bombay and Sind, No. F.2-XXVI-Ex. II/36 dated the 16th July, 1936.

I am directed to refer to the correspondence ending with :—

Mr. Blandy's letter No. 197-F, dated the 24th January, 1931

Mr. Jone's letter No. 37434 C.S. R-II, dated the 28th April, 1931.

Mr. Bhansali's letter No. 84-B, dated the 24th March 1931.

The Government of Bombay, Finance Department letter No. 84-B. dated the 24th March 1931.

and to enquire if there has since been any change in the level of rents for private

residences in	}	Calcutta
		Madras and if so, approximately what percentage
		Bombay reduction has
		Karachi

taken place therein since 1924. The Government of India will also be glad to know approximately what hotels and boarding houses in the city charge per month now, as compared with 1924 for both married and unmarried accommodation.

I am finally to enquire whether the local Government are contemplating any reduction in their compensatory or house-rent allowances in the city in question on the ground of reduced cost of living.

Serial No. 2.—Letter from the Accountant-General, Bengal, No. H.A/81, dated the 10th October, 1936.

I have the honour to invite a reference to the Government of India, Finance Department Resolution No. 5067, C.S.R., dated 10th October, 1924 under which officers of certain Central Departments under the administrative control of the Government of India, while stationed in Calcutta, are entitled to draw a compensatory allowance as well as a house allowance according to a scale and

to certain rules laid down in that resolution. The scale of compensatory allowance sanctioned in the above resolution was reduced by $12\frac{1}{2}$ per cent, in the Government of India, Finance Department letter No. F.8 (7)-R.I/31, dated the 27th February, 1931, as a result of the last economy campaign but the rates of house allowance have remained the same since 1924.

2. The corresponding house allowance rules of the Government of Bengal, which are applicable to members of All-India and certain other services while they remain stationed in Calcutta, Howrah or Alipore, are those contained in the Calcutta House Allowances Rules, 1926 issued with the Government of Bengal, Finance Department Resolution No. 1585-F., dated the 12th May, 1926. Compared with these rules, the concessions allowed under the Government of India, Finance Department Resolution No. D./5067-C.S.R., dated the 10th October, 1924, to officers under the administrative control of the Government of India stationed in Calcutta would appear to be liberal. While under proviso iii) to Rule II of the Calcutta House Allowance Rules, 1926, an officer drawing a compensatory allowance granted in consideration of the expensiveness of the locality is not entitled to draw any Calcutta House allowance at all without the specific sanction of Government, all officers of the Government of India admitted to the benefit of the Government of India, Finance Department Resolution No. D/5067-C.S.R., dated 10th October, 1924 are entitled to draw both the compensatory allowance as well as the house allowance simultaneously as a matter of course. The rates of house rent allowance admissible under the Government of India, Finance Department Resolution No. D./5067-C.S.R., dated 10th October, 1924, would also appear to be on the whole higher than the corresponding rate admissible under the Calcutta House Allowance Rules 1926 and the difference is very marked in the case of officers in receipt of a pay of Rs. 2,000 or over. Thus the maximum house allowance admissible under the Rule III of the Calcutta House Allowance Rules of the Government of Bengal expressed as a percentage of pay varies from $7\frac{1}{2}$ per cent. to 4 per cent. of pay of Rs. 2,500—3,000 against $12\frac{1}{2}$ per cent. of pay (in addition to a proportionate relief on account of occupier's share of tax) admissible under the Government of India, Finance Department Resolution of 1924.

3. It is interesting to note that many of the officers of the Government of India who are entitled to draw house allowance in Calcutta are not generally drawing the maximum allowance admissible to them under the above resolution. This appears to indicate that the officers now experience less difficulty in obtaining suitable house accommodation in Calcutta at a rent proportionate to their emoluments and that the maximum allowance

admissible under the Resolution of 1924 is too high in the conditions prevailing in Calcutta at present.

4. From the preamble to the Government of India, Finance Department Resolution No. D/5067, C.S.R., dated the 10th October, 1924, it appears further that the compensatory and house allowances sanctioned therein were intended for officers stationed at expensive places who are on a general scale of pay and are liable to transfer from one station to another. But this condition does not appear to be satisfied in all cases in which officers have been admitted to the benefits of the above resolution. The cases of the officers of the Zoological Survey of India, including the Director, may be cited as instances in point.

5. I bring these facts to the notice of the Government of India for such action as they may be deemed to be necessary.

Serial No. 3.—Letter from the Government of Madras No. 20818-C.S.R-4, dated the 12th October, 1936.

In reply to the letter from the Government of India, Finance Department, No. F.2-XXVI-Ex. II36/, dated 16th July, 1936, I am directed to state that in respect of small houses and small bungalows there has been practically no change in the level of rents since 1931. Rents of big bungalows continued to remain practically the same from 1924 to 1931 but a reduction in the level has been reported from 1932 the reduction ranging from 10 per cent to 25 per cent. in the case of big bungalows fetching a rent of Rs. 150 and over.

2. A statement showing the approximate rate that is charged for the persons living in European style by some of the important hotels in the city for unmarried and married accommodation is appended.

3. I am to add that this Government are not contemplating any reduction of their compensatory allowances including house rent allowances in Madras city on the ground of reduced cost of living, as the existing rates of allowances were fixed only recently in 1932.

ANNEXURE

Statement showing the approximate rate that is charged by some of the important hotels in Madras city,

Name of the Hotel or Boarding House	Rate per mensem Present rate per mensem.					
	Rate in	Un-married.	mar-ried.	Rate in	Un-married.	mar-ried.
Hotel Connemara ...	1924	Rs. 10-12 a day	Rs. 20-24 a day	1936	Rs. 350	Rs. 650
Hotel Spencer ...	"	200	400		165	350
Fallowfield (started in about the year 1929) ...	1929	210	475	"	200	400
Hotel Bosotto (purchased from D'Angelis in about 1930) ...	1931	200	375	"	180 to 200	350 to 375
Chesney Hall Hotel (information from 1924 is not available) ..	1931	250	450	"	200	375
Hotels Clarence and Savoy only last year from Messrs. Harrison & Co. and Hotel Savoy was started only in April 1936. ..	—	—	—	"	150	300

Serial No. 4.—Letter from the Government of Sind No. 148-F. dated the...October, 1936.

With reference to Mr. Mohamed Ali's letter No. F-2-XXVI Ex.II/36, dated 16th July 1936, I am directed to state that the level of rents for private residences of the bungalow type in Karachi, has not decreased, but on the contrary has shown a tendency to rise, due presumably to the transfer of the Headquarters of the Western Command from Quetta to Karachi, and the recent influx of the people from Quetta after the earthquake. In one quarter of the city, however, there has been a slight fall in the rents, but this is due to the fact that people are now leaving that quarter, and shifting to the more modern buildings which have sprung up about the Artillery Maidan and Bunden Road Extension.

2. In hotels and boarding houses the rent charged per month now as compared with 1924 is the same and depends on the accommodation demanded for married and unmarried people and the general grade of the hotel.

3. With regard to the enquiry in the second sub-paragraph of that letter, I am to state that the question is not being considered by this Government.

Serial No. 5—Letter from the Government of Bengal No. 368-F., dated the 13th January, 1937.

With reference to your letter No. F-2XXVI-Ex. II/36, dated the 16 July, 1936, on the subject, I am directed to forward herewith copy of a note, dated the 23rd September, 1936 of the First Land Acquisition Collector, Calcutta (Encl. 1) furnishing the information wanted in paragraph 1 of your above letter.

As regards paragraph 2 of your letter I am to say that all compensatory allowances other than house rent allowances granted for expensiveness of living have been reduced by 10 per cent. under this Government Resolutions No. 6472-F., dated the 21st December, 1931, No. 1281-F., dated the 9th March, 1932 (Encl. II and III) and that the scale of allowances in the Calcutta House Allowance Rules has been reduced in conformity with an ascertained fall in Calcutta rents. The amendment to the aforesaid rules are published with this Government, Finance Department, Notification No. 3641-F., dated the 4th July, 1933, at the page 1013, of the Calcutta Gazette Part I of 19th July. 1933. (Not printed)

In view of the general fall of rents this Government are also considering the question of reducing other House Rent allowances exceeding Rs. 25 per mensem by 20 per cent.

(Enclosure I)

Copy of a Note from the first Land Acquisition Collector, Calcutta, dated the 23rd September, 1936.

Generally speaking, there has been little change in rent for small residences in Calcutta for which monthly rents up to Rs. 50 are payable. There has been since 1925 a drop of 10 to 20 per cent. In monthly rents varying from Rs. 50 to Rs. 100 except in Cornwallis Street, Bhuvan Dhar Lane, Dhurrumtolla Street, Puddopukur Road and Lane, Palit Street, Landsdown Road, Aspton Road, Dr Rajendra Road, Bridge Road, Alipore and Ballygunge where they are almost stationary. For residences all over the town fetching over Rs. 100 per month there has been a general fall varying from 10 to 25 per cent, except in some cases in Priyanath Mullick Road, Circus Road, Hospital Street and Manohardas

Street where it has come down by about 30 per cent. In Edward Court and Alexandra Court, the drop is from 10 to 24 per cent. In one case in London Street it is 47 per cent. and in the Chowringhee Road, it is 15 to 28 per cent. in cases where the rent varies from Rs. 400 to Rs. 800 per month. In Camae Street, Wood Street, Theatre Road, and Chowringhee the increase during 1924-30 was 12 per cent. but the drop has since been by 10 to 20 per cent.

For unmarried (single) accommodations, the charge in hotels in 1924 was from Rs. 17 to Rs. 35, whereas the present charge is from Rs. 14 to Rs. 30. For married (double) accommodations, the charge in 1924 was from Rs. 45 to Rs. 55, whereas the present charge is from Rs. 35 to 45.

The above hotel charges are all season rents, but the off season rents will be comparatively low *pro rata*.

(Enclosure II)

Government of Bengal, Finance Department, Resolution No. 6472-F.-Audit, dated the 21st December, 1931.

In view of the recent fall in the prices of the staple commodities which has coincided with a very serious deterioration in Government revenues, the Governor in Council and acting with his Ministers has decided that all compensatory allowances granted for expensiveness of living shall, subject to the expansions noted below, be reduced by 10 per cent.

(1) No reduction will be made in the allowances of inferior servants, or of superior servants whose compensatory allowances do not exceed Rs. 10 per month; and no allowance will be reduced below Rs. 10 a month.

(2) This cut will not apply to the allowances granted to the staff at the Buxa Detention Camp and to the Subedars and Jamedars of the Military Police.

The reduction will take effect on the 1st February, 1932, that is to say, on the compensatory allowances drawn for the month of January, 1932.

(Enclosure III)

Government of Bengal, Finance Department, Resolution No. 1281-F.-Audit, dated the 9th March, 1932.

Government are pleased to declare that this department Resolution No. 6472-F., dated the 21st December, 1931, directing a cut of 10 per cent. on all compensatory allowances granted for expensiveness of living does not apply to house-rent allowances.

Serial No. 6.—Letter from the Government of Bombay, No. 84/1038-E., dated the 22nd January, 1937. ...

With reference to your department letter No. F.-2 XXVI-EX II/36, dated 16th July, 1936, I am directed to forward herewith a copy of the Bombay Municipal Commissioners' letter No. I.R. No. 322, dated 21st September, 1936 and of a note prepared by the Commissioner of Labour, Bombay, which give required information.

2. In regard to paragraph 2 of the letter referred to above, I am to state that the compensatory and house-rent allowances for Bombay City were revised by this Government in 1933. No proposal is at present under contemplation for reducing these allowances any further.

(Enclosure I)

Letter from the Municipal Commissioner for the city of Bombay, to the officiating Deputy Secretary to the Government of Bombay Finance Department No I.R. No. 322 of 1936-37, dated the 21st September, 1936.

With reference to your letter No. 84/10318-B., dated the 27th July, 1936, and reminder dated the 2nd September, 1936, I have the honour to state that on enquiry I find that as compared with 1930-31 the rents of residential tenements ranging between Rs. 100 and Rs. 400 per month have declined from 8 to 14 per cent. in C., E., F. and G. Wards, by about 19 per cent. in A. and D. Wards and about 22 per cent. in B. Ward. The figures for earlier years are not available as the records for those years have been destroyed. The average decline in rents of this class of tenements for the whole city as compared with 1930-31 is about 17 per cent. Information as to what the hotels and boarding houses in the city charge per month for married and unmarried accommodation is not available as, for assessment purposes, only the rents at which the said properties might reasonably be expected to let from year to year are recorded in Municipal Books and not the actual charges preferred by such concerns for accommodation of different classes of customers.

(Enclosure II)

I attach two statements (not printed) incorporating the results of the enquiry conducted by this office into the rates, etc., charged by hotels and boarding houses in Bombay City for married and unmarried accommodation in 1924 and 1936 and a copy of the schedule which was specially drawn up for the enquiry.

2. In order to obtain comparative figures from as many hotels in the city as possible, all the hotels whose names were found in the Times of India Directories for these two years were addressed in the matter, but the required information was supplied by eight hotels only. In addition one hotel supplied information for the years 1926 and 1936 and another for 1931 and 1936. Of the remaining hotels some appear to have now gone out of existence, while others reported that they were not in a position to supply the necessary information for the earlier period as management had not changed hands since and the present management had not the necessary records with them.

3. For the purpose of ascertaining the extent of rise or fall in the hotel charges since 1924, therefore, the only information available is that supplied by eight hotels, too small a number, I think, for the purpose in view. Moreover, although five of these hotels have reported decreases in their rates as against two which have reported increases and one which has reported no change in the rates it has to be borne in mind that the two hotels which have reported increases in their rates are two of the most important hotels in the city.

4. Apart from the paucity of data referred to above, the difficulty of arriving at any reliable conclusion in the matter is enhanced by the wide variations in the rate of increase or decrease in the various hotels and sometimes in the same hotel. Often there is complete lack of uniformity in this respect even in regard to the same type of accommodation. Thus to take the case of hotel A, whereas the "inclusive" rates for single and double rooms with bath in this hotel have gone up by 1 and 20 per cent. respectively, the "exclusive" rates for the same accommodation have gone down by 21 and 14 per cent. respectively. "Inclusive" rates during season for a single room with bath show a slight increase in 1936 as compared with 1924, but there has been no change in the rates for the same accommodation during off season.

5. My own view, therefore, is that on account of the paucity of the data available and their variable character it is difficult to draw any conclusion from them which may be considered reliable and which may be useful from the point of view of the Government of India.

J. F. Gennings,
Commissioner of Labour.

**ANSWER TO S.A.E. QUESTION PAPER OF
JULY 1953.**

I. Precis.

Subject :—Proposal for a reduction in the compensatory allowances in Bombay and Calcutta.

The Financial Commissioner of Railways in his D.O. letter dated the 17th April, 1936, addressed to the Secretary to the Government of India referred to the fall in house rents in Calcutta and Bombay as a result of the downward trend in prices, and suggested that the Government of India, Finance Department might reconsider the whole scheme of compensatory allowances in Presidency Towns by constituting a committee of departmental officers as in 1924 or 1925.

2. In the note written by the Finance Department, it was mentioned that the 1924 scheme referred to by the Financial Commissioner of Railways, applied generally to the officers of the superior services and to a few class II services where the pay was fixed on an All-India basis and the officers were liable to transfer throughout India. For subordinate services where the compensatory or house rent allowance was in vogue, the Government of India generally followed the scales adopted by the Local Governments. Consequent upon the fall in prices there had been a cut since 1931 in the compensatory allowances, of 10 per cent. normally, and of $12\frac{1}{2}$ per cent when drawn concurrently with the house rent allowance. The Government of India had just decided to make permanent the temporary cut in compensatory allowances imposed in 1931, and therefore, it was considered inexpedient, even if it were justifiable, to make any further reduction in them.

3. The house rent allowances granted to Central Government officers in Bombay, Calcutta and other Presidency Towns, had been adversely affected to a certain extent, by the fact that whereas the normal percentage of cut was 10 it was $12\frac{1}{2}$ when the house rent allowance was drawn concurrently with the cost of living allowance. This was enough to cover any slight reduction in rents that might have occurred, and therefore, there was no need to pursue the question whether the house rent allowances, sanctioned in 1924 were susceptible of any further reduction. It was further stated that house rents had not declined since 1931. On the contrary, as the Government of Sind pointed out in Karachi, they had shown a tendency to rise. The Local Governments of

Bombay and Madras had not reduced their scales of allowance, and in fact, the Bengal Government's scale was more generous than that of the Government of India, though it was revised in 1933. So there seemed to be no justifiable reason for taking any action in respect of the house-rent allowance,

4. A comparative survey made by the Joint Secretary, of the allowances administered under the rules of the Central and Local Governments revealed the position thus :

Compensatory allowances.	House-rent allowances
Calcutta: None for local officers ...	Same as in Madras except that high salaried central officers drew higher allowances than the officers of the Local Government.
Bombay: The rates for Local Govt. officers were 12½% above those of the Central Govt. officers ...	Same rates as those of Local Government.
Karachi: The Local Government officers drew allowances at half the rate admissible for Bombay, while Central Government officers got no allowance.	
Madras: No allowance for Central Govt. Officers.	Central Government rates were lower for comparatively low paid officers. For higher salaried officers the rates were the same as for Local Government Officers.

5. The Joint Secretary, Finance Department, desired that the Local Governments might be asked to state :

- (a) if there had been any change in the level of rents for private residences.
- (b) what hotels and boarding houses in the city, charged per month as compared with 1924 for both married and unmarried persons' accommodation, and,
- (c) whether the Local Government was contemplating any reduction in their compensatory or house-rent allowances in the city on the ground of reduced cost of living.

6. The information supplied by the Local Governments may thus be stated: ...

In Madras there had been practically no change in the level of rents charged for small houses and small bungalows since 1931. Rents of big bungalows showed no change from 1924-31, but a reduction in the level ranging from 10 to 25 per cent. had been reported from 1932 in the case of big bungalows fetching a rent of Rs. 150-and over per mensem. In Karachi, the level of rents for private residences of the bungalow type had not fallen but, on the contrary, had shown a tendency to rise due to the influx of people from Quetta after the earthquake. In Calcutta, there had been little change in the rent for small residences each fetching up to Rs. 50 per mensem. In other cases, it varied from 10 to 20 per cent and from 10 to 25 per cent. depending of course, upon the situation, locality etc. The Accountant-General, Bengal in his letter No. M.A.81, dated the 10th October, 1936 remarked that the house rent allowance admissible to Central Government officers in Calcutta was too high, because they did not draw the maximum allowance due to them. This led to the inference that it was not difficult for them to obtain suitable accommodation proportionate to their emoluments. In Bombay the house rents had declined from 8 to 22 per cent depending upon situational advantage and locality, the average decline in rents for the whole city being 17 per cent as compared with 1930-31.

7. On the point of the rents charged by hotels and boarding houses the Madras Government submitted a statement showing that the rent charged depended on the nature of accommodation needed by married and unmarried people and the general grade of the hotel. The Government of Sind reported the same information. So in all Presidency towns there was a fall in rents in Karachi where the rent charged as compared with 1924 was the same. The Municipal Commissioner for the City of Bombay and the Commissioner of Labour, Bombay, observed that on account of the paucity of the date available and their variable character it was difficult to draw any reliable conclusions.

8. Whether the Local Governments were contemplating any reduction of their compensatory allowances was another question. The Madras and Sind Governments answered it in the negative. The Bombay Government having revised the compensatory and house rent allowances only in 1933 had no proposal to reduce them further. But the Government of Bengal stated that all compensatory allowances had been reduced by ten per cent. And the scale of allowances in the Calcutta House Allowances Rules was dealt with likewise, in conformity with the ascertained fall in Calcutta rents. In view of the general fall of rents they were also considering the question of reducing other House Rent allowances exceeding Rs. 25 per mensem by 20 per cent.

9. Mr. Mohammad Ali, the Assistant Secretary, Finance Department, agreed with the conclusion in the office note that the house-rent allowance in Calcutta and Bombay might be reduced by ten per cent. and twelve per cent. respectively, while it might be left as it was in Madras and Karachi. But he was not in favour of touching the existing rates of house-rent allowance. He suggested that between the two alternatives of determining the maximum limit of the allowance namely (a) by limiting the allowance to a certain figure (b) by limiting the total rent to a certain amount in each place, the former might be adopted.

10. The discussion among the Joint Secretary, the Secretary and the Additional Secretary led to the conclusion that the only real element in expensiveness of living in Bombay and Calcutta was the house rent. The other costs of living in those places did not justify any special compensation allowance, and all allowances were surely a source of profit. Those allowances which were originally intended for officers on a general scale of pay who were liable to transfer from one station to another, were constantly extended to people for whom they were never intended. Bengal had steadily refused to grant compensatory allowance to their officers in Calcutta. The Finance Department were, therefore, of the opinion that the compensatory allowances in Bombay and Calcutta should be abolished on the next change of incumbency of posts now entitled to them. They also felt that there was ample evidence to justify a considerable cut in house-rent allowances also : but they would have those allowances untouched, provided the compensatory allowances ceased. Mr. Maxwell who was a party to the discussion agreed that this step might be taken.

IMPORTANT POINTS

1. The idea of abolition dawned with the letter of the Financial Commissioner of Railways.
2. Note in the Government of India, Finance Department.
3. Local Governments addressed on the subject.
4. Replies of the Local Governments.
5. Final Note in the Government of India, Finance Department, signed by Mr. E. T. Coates, on page 307 of the question paper.
6. Orders to be gleaned from the same note.

Candidates will notice carefully on what specific issues information was sought from the Local Governments and how they differed from or agreed with one another. Don't waste time over the scrutiny of the mass of statistical details supplied by the Local Governments. You must know how to make a long story short. The mind of a typical candidate will never lose its moorings with the three main points of the correspondence :—

- (a) Whether the cost of living in the Presidency towns justified the continuance or not of the compensatory allowance
- (b) Whether local Governments were contemplating any reduction in it and
- (c) The decision arrived at by the Secretary, the Joint Secretary and the Additional Secretary.

Remember that the house rent business is a subsidiary issue and hence must be made subservient to the main trend of thought in your Precis.

General observations on the Draft

The letter from the Accountant-General, Bengal, comes in handy for purposes of the draft, however insignificant it might have been with reference to the Precis. It supplies an opening to the draft and a transitional link as well. Observe the statements made by Local Governments in their replies and remember, it is only from that your decisions have to be made. State clearly the considerations enabling the Government of India to reach the conclusion that the compensatory allowances should be abolished. While drafting the letter you will be compelled to rearrange the details found in the notes and in the correspondence.

II DRAFT.

No.....

**GOVERNMENT OF INDIA
Finance Department.****From**

**The Joint Secretary to the Government of India,
Finance Department
New Delhi.**

To

**All the Departments of Government of India,
Dated, New Delhi, the.....19.....**

**Subject :—Abolition of compensatory allowances in Bombay and
Calcutta.**

Sir,

I am to invite a reference to the Government of India Finance Department, Resolution No. 5067 C. S. R. dated the 10th October, 1924, under which officers of certain Central Departments under the administrative control of the Government of India, while stationed in Calcutta and Bombay are entitled to draw a compensatory allowance coupled with a house allowance according to a scale and to certain rules laid down in that resolution. The scale of compensatory allowance sanctioned in the above resolution was reduced by 12½ per cent. in the Government of India, Finance Department letter No. F-8. (7) R.I./31 dated 27th February, 1931, as a result of the last economy campaign but the rates of house allowance have remained the same since 1924.

2. Induced by a fall in prices as well as in rents, the Government of India have been thinking for some time that the time has come to reconsider the whole scheme of compensatory allowance in Presidency towns. Accordingly, the opinion of the Local Governments in those places was invited on the two types of allowances granted to the Government servants under the control of the Centre.

3. I am to state that the replies received have led the Government of India to the inference that the only appreciable

element in the cost of living in all those places is house rent. Other aspects of the cost of living in Bombay and Calcutta where the compensatory allowances also are paid cannot be said to vary markedly from those in other parts of India so as to justify any special compensatory allowance. These allowances are a mere source of profit as evidences show. Whenever officers are transferred to those places where no such allowances are available, the Government of India are usually pressed to compensate them for the loss of the allowance either by granting special pay or by advance increments, or by special rates of pay.

4. From the preamble to the Government of India, Finance Department Resolution referred to at the outset, it appears that the compensatory and house allowances sanctioned therein were intended for officers who are working at costly places and who are on a general scale of pay and are liable to transfer from one place to another. The Government of India have been frequently pressed to extend the concession to officers for whom it was never intended. These compensatory allowances are therefore becoming an unjustifiable administrative nuisance. Further, Bengal have steadily and rather bitterly refused to grant compensatory allowances to their officers in Calcutta.

5. From these considerations, the Government of India have reached the conclusion that the compensatory allowances in Bombay and Calcutta should be abolished in the next change of the incumbency of posts now entitled to them. In respect of house rent also, the Local Governments barring the exception of Karachi, have reported a fair reduction, but the Government of India do not desire to touch the house rent allowances now that the compensatory allowances are to be abolished.

Yours faithfully

.....
(Designation) Joint Secretary.

S. A. E.

January 1954

Time allowed—3 hours]

[Maximum Marks—150

Marks

- I. Prepare a precis of the memoranda and letters marked I to X. ... 90
- II. Draft a circular letter from the Secretary to Government, Punjab, Finance Department, to all Heads of Departments (i) conveying the decision of the State Government to continue the scheme for a further period of one year from the 1st June, 1953, subject to the modifications set out in the Government of India, Ministry of Finance, Department of Economic Affairs, Office Memorandum No. F. 7 (107)—F.1/50 dated the 1st June, 1953, and (ii) recapitulating, for facility of reference, the instructions contained in the Office Memoranda issued by the Punjab Government from time to time. 60

I

Office Memorandum No. F. 7 (135)—F. I/48,
Government of India, Ministry of Finance,
Department of Economic Affairs,
New Delhi, the 10th December, 1949.

Subject :—Acceptance of bank deposit receipts as security deposit for Government contract): etc.

The undersigned is directed to refer to the correspondence resting with this Ministry's Office Memorandum of even number, dated the 30th March, 1949, on the subject noted above, and to state that on a further consideration of the question it has been decided that the system of accepting bank deposit receipts as security deposit should be discontinued altogether. The parties concerned may, however, be permitted to make, either by a suitable deposit or a guarantee, arrangements with any bank which should deposit Government securities to cover the amount of security

demand, with a margin of 5 per cent. below the market value. Security in the form of cash and Government securities will continue to be acceptable.

2. The decision in paragraph 1 above is not intended to be applied in the case of the Imperial Bank of India, whose fixed deposit receipts may continue to be accepted as security deposit, etc. as hitherto.

3. Deposit receipts of banks, which have already been accepted as security deposit, need not be cancelled, but steps may be taken to replace them, on the expiry of the term of these receipts, by another type of security acceptable under the rules. Action is being taken separately to amend Rule 277 of the General Financial Rules accordingly.

4. It is requested that the relevant provisions in the rules under the Ministry of Railways etc., may be suitably amended in consultation with this Ministry at an early date.

(Signed) O.P.G.

Under-Secretary to the Government of India.

To

All Ministries of the Government of India, all Chief Commissioners, all Provincial Finance Secretaries (for information), the Auditor-General of India and all Accountants-General and the Reserve Bank of India, with reference to their U.O. No. D.B.O. 8497/C 109-49 dated the 8th December, 1949.

II

Office Memorandum of the Government of India, Ministry of Finance, Department of Economic Affairs No. F. 7 (107). F. I/50 dated the 5th November, 1951.

Subject:—Guarantees offered by banks to Railways and other Government departments, regarding the payment of freight; implementation of Government contracts, etc.

In the Ministry of Finance, Department of Economic Affairs, Office Memorandum No. F. 7 (135)—F.I/48 dated the 30th December, 1949, it was decided, *inter alia* that the system of accepting deposit receipts of banks other than the Imperial Bank of India as security deposits for Government contracts, etc., should be discontinued. Since then, the Ministry of Finance have had under consideration, in consultation with the Reserve Bank of India, the question of accepting guarantee bonds executed by banks on behalf of their clients for due implementation of Government contracts etc.

After careful consideration of the problem in all its aspects, it has, since, been decided that the following principles should regulate the acceptance of such guarantees in future :—

- (i) Guarantee bonds executed by the Imperial Bank of India may be accepted.
- (ii) Guarantee bonds executed by a scheduled bank may be accepted provided :—
 - (a) the bond in question is countersigned by the Imperial Bank of India, whereby the Imperial Bank undertakes full responsibility to indemnify the Government department concerned in case of default : or
 - (b) the Bank concerned lodges with the Reserve Bank of India requisite securities, *viz.*, cash deposits or Government securities in respect of the guarantees to be executed by it and the Reserve Bank advises the Government concerned that the bond may be accepted.

2. In cases where a scheduled bank prefers to offer guarantees under para. I (ii) (b), the procedure set out below may be followed :—

The office of the bank executing the guarantee will advise the principal office of the Reserve Bank of India, with which it maintains its principal account under regulation 2 of the scheduled bank's regulations, of the amount of the guarantee, the name of the party on whose behalf the guarantee is being given and the name of the Government department in whose favour it is being executed, endorsing a copy of its letter to the Government department concerned. The Reserve Bank of India, will, if it holds the requisite amount of Government securities or cash on behalf of the bank, advise the Government department concerned to accept the bank's guarantee. When a guarantee expires or is cancelled, the bank and the Government concerned should both advise the principal officer of the Reserve Bank whereupon the relevant securities will be released.

3. The above scheme should be adopted with effect from the 1st December, 1951, for a period of one year, in the first instance. Any difficulties or *lacuna* that may be observed in the actual working of the scheme may kindly be brought to the notice of the Ministry of Finance, Department of Economic Affairs, to enable them to consider suitable modifications in the scheme.

(Signed) S. K. S.

Deputy Secretary to the Government of India.

To all Ministries of the Government of India, all Chief Commissioners, all State Governments (for information), the Auditor-General of India and all Accountants-General.

III

Office Memorandum from the Ministry of Finance, Department of Economic Affairs No. F. (107)—F.I/50 dated the 1st May, 1952, on the same subject.

The undersigned is directed to invite a reference to the Ministry of Finance, Department of Economic Affairs. Office Memorandum of even number dated the 5th November, 1951, on the subject noted above. In para I thereof, it is stated *inter alia* that guarantee bonds executed by a scheduled bank may be accepted provided the bank concerned lodges with the Reserve Bank of India requisite securities in respect of the guarantees to be executed by it. The intention is that, in the event of a default on the part of a contractor the Government Department concerned should be able to recover its dues directly from the Reserve Bank of India from out of the security deposits lodged with it by the guaranteeing banks. In order, however, to give legal effect to this arrangement, it is necessary that a suitable term or condition be incorporated in the guarantee bonds executed by banks in favour of the various Government departments. A copy of a note dated the 13th December, 1951, recorded, by the Ministry of Law, is enclosed. It is requested that necessary action in the light of the Law Ministry's note may be taken in consultation with that ministry, if necessary, at an early date.

2. It has been pointed out by the Reserve Bank of India that advice regarding cancellation or expiry of bank guarantees, as required under the procedure set out in para, 2 of the Office Memorandum No. F. 7(107)—F. 1/50, dated the 5th November, 1951, is not being sent expeditiously by certain Government departments to the concerned principal office of the Reserve Bank of India and that in many cases such advices have been obtained by them only after a long drawn correspondence with the Government departments concerned. The consequential delay in the lifting of the Reserve Bank's lien on the relative securities is hardly conducive to the success of the scheme and has been resented by some of the scheduled banks. It is, accordingly, requested that the procedure outlined in para 2 of the Office Memorandum referred to above may be strictly adhered to and advice regarding expiry or cancellation, as the case may be, of the bank guarantees should be sent to the Reserve Bank of India without any loss of time.

(Signed) F. C. D.,

Under Secretary to the Government of India.

To all Ministries of the Government of India, all Chief Commissioners, all Part C States, all Part A and B States (for information), the Comptroller and Auditor-General of India and all Accountants-General.

**Notes in the Solicitors Branch
Ministry of Law**

It is necessary to add a term or condition in the guarantee bond under which the Government would be entitled to recover their dues under the bonds directly from the Bank from out of the deposits made by the guaranteeing banks with the Reserve Bank. I do not know if the form of guarantee adopted by various Government departments is uniform. If there is such a form, a copy of the same may be placed on the file, so that I would be able to suggest an amendment, if necessary, to enable Government to operate on the security deposit with the Reserve Bank as soon as the liability of the guaranteeing bank is established without reference to the bank concerned. If, on the other hand, different departments have different forms, the best course would be to circulate to them information regarding the new arrangement arrived at between the Reserve Bank and other banks and suggesting to the departments to modify the form of bonds in order to enable the Government to give effect to the arrangement.

IV

Circular letter No. 8706—F.R.—52/4438 from the Secretary to Government, Punjab, Finance Department, dated the 16th June, 1952 to all Heads of Departments.

Subject :—Acceptance of guarantee bonds executed by banks for the implementation of Government contracts, etc.

I am directed to invite a reference to Punjab Government Circular Letter No. 7201—F.R. 51/6618 dated the 17th December 1951, on the above subject. In para. 1 of this letter, it is stated *inter alia* that guarantee bonds executed by a scheduled bank may be accepted, provided the bank concerned lodges with the Reserve Bank of India requisite securities in respect of the guarantees to be executed by it. The intention is that in the event of default, on the part of the contractor, the Government department concerned should be able to recover its dues from the Reserve Bank of India from out of the security deposits lodged with it by the guaranteeing banks. In order, however, to give legal effect to this arrangement, it is necessary that a suitable term or condition be incorporated in the guarantee bonds executed by banks in favour of the various Government departments, whereby Government would be entitled to recover their dues direct from the Reserve Bank of India from out of the deposits made by the guaranteeing banks with the Reserve Bank. I am, therefore, to request that necessary action may be taken in consultation with the Legal Remembrancer, if necessary, at an early date.

2. Attention is also invited to para 2 of Punjab Government letter of the 17th December, 1951, referred to above, which *inter alia* provides that when a guarantee expires or is cancelled, the bank and the Government department concerned should advise the principal officer of the Reserve Bank of India, whereupon the relevant securities will be released. It has, however, been pointed out by the Reserve Bank of India that this advice is not being sent expeditiously by certain departments. The consequential delay in the lifting of the Reserve Bank's lien on the relative securities is hardly conducive to the success of the scheme and has been resented by some of the scheduled banks. It is accordingly requested that the procedure outlined in para 2 of the circular letter referred to above may be strictly adhered to and advice regarding expiry or cancellation as the case may be of the bank guarantees, should be sent to the Reserve Bank of India without any loss of time.

V

Office Memorandum No. F. 7 (107)—F.I/50 from the Government of India, Ministry of Finance, Department of Economic Affairs dated the 9th December, 1952.

Subject :—Guarantees offered by banks to Railways and other Government departments regarding the payment of freight, implementation of Government contracts etc.

With reference to the Government of India, Ministry of Finance, Department of Economic Affairs, Office Memorandum of even number dated the 5th November, 1951, on the subject noted above, the undersigned is directed to state that the scheme for accepting guarantees from the Imperial Bank of India and the scheduled banks subject to certain conditions outlined therein appears to have worked satisfactorily, as no serious difficulties or *lacuna* have been so far reported by the Government departments to the Ministry of Finance, as required in para. 1 of the O. M. referred to. It has been, accordingly, decided that the scheme may be continued for a further period of six months from the 1st December, 1952, at the end of which the position will be again reviewed.

2. It has, however, been represented by the Indian Banks Association and the Exchange Banks Association that the main difficulty experienced by the banks in the working of the scheme arises, from the delay on the part of the Government departments concerned, in not promptly reporting to the Reserve Bank, the cancellation or expiry of the guarantees executed in their favour, with the result that the relative securities lodged by the banks with the Reserve Bank of India remain locked up unnecessarily for a considerable time. Further, it has also been represented that the

Government Departments are sometimes unable to trace the guarantees forwarded to them by banks and this results in much correspondence between the parties concerned before the matter is settled. Although the Ministry of Finance, in their Memorandum No. F.7 (107)—F. 1/50 dated the 1st May, 1952, have issued necessary instructions, the position in this regard does not appear to have improved and delays still persist. The Ministry of Finance would accordingly be grateful if the Ministry of Railways, etc., will kindly impress, once again, upon all concerned the desirability of strictly carrying out the instructions contained in para 2 of the Memorandum No. F.7 (107)—F.1/50 dated the 1st May, 1952, referred to above.

(Signed) S.K.S.

Deputy Secretary to the Government of India.

To all Ministries of the Government of India, all Part C States, all Part A and B States (for information) the Comptroller and Auditor-General of India and all Accountants-General and Comptrollers.

VI

Letter No. 8904—F.R.—52/93 dated 10th January, 1952 from the Secretary to Government, Punjab, Finance Department, to all Heads of Departments, etc.

*Subject :—*Acceptance of guarantee bonds executed by banks for the implementation of Government contracts, etc.

I am directed to invite a reference to Punjab Government letter No. 7201—F.R.—51/6618 dated the 17th December, 1951 on this subject and to inform you that the scheme for accepting guarantee bonds from the Imperial Bank of India and the scheduled banks subject to certain conditions outlined therein, appears to have worked satisfactorily as no serious difficulties or *lacuna* have been reported so far by the Government Departments concerned, as required in para 3 of the letter referred to. It has, accordingly, been decided that the scheme may be allowed to continue for a further period of six months from 1st December, 1952, at the end of which, the position will be, again, reviewed.

2. In this connection, I am to impress upon you that the instructions contained in the Punjab Government letter No. 3606—F.R.—52/4438, dated the 16th June, 1952, relating to the submission reports to the Reserve Bank regarding cancellation or expiry of the guarantees executed in their favour, should be strictly complied with, so that securities lodged by banks with the Reserve Bank of India may not remain locked up unnecessarily.

VII

Office Memorandum No. F.7 (107)—F.I/50 dated 21st March, 1953, from the Government of India, Ministry of Finance, Department of Economic Affairs.

Subject:—Guarantees offered by scheduled banks to Railways and other Government departments regarding payment of freight, implementation of Government contracts, etc.

With reference to the correspondence resting with this Ministry's Office Memorandum of even number dated the 30th January, 1953, on the subject noted above, the undersigned is directed to enclose a copy of the Guarantee Bond as amended on some further suggestions by the Reserve Bank. It is now requested that fresh instructions may now be issued to the Railways concerned at an early date with a view to adopting this Guarantee Bond.

(Signed) F.C.D.

Under Secretary to the Government of India.

To

The Ministry of Railways (Railway Board) New Delhi
No. F.7 (107)—F.I/15.

Copy, with a copy of the draft guarantee bond referred to, forwarded for information and guidance to all Ministries of the Government of India, all Part C States, all Part A and B States (for information) the Comptroller and Auditor-General and all Accountants-General, with reference to Part 1 of the Government of India, Ministry of Finance, Department of Economic Affairs Office Memorandum of even number dated the 1st May, 1952. It is requested that, if necessary, the guarantee bonds executed by banks in favour of the Ministry of Defence, etc., may be amended on the lines of the draft guarantee bond referred to above.

By Order, etc.,

(Signed) F.C.D.

Under Secretary to the Government of India.

Guarantee Bond.

In consideration of the President of India having at our request agreed to accept this ——— (here enter the name of bank) Guarantee in lieu of cash deposit required from M/s ——— (here enter the name of the contractor) for the due fulfilment by them, of the terms of the contract dated ——— for ——— (state particulars of contract).

We ——— (here enter the name of the bank) hereby undertake to indemnify the President of India on demand to the extent of ——— (here state the amount) against any loss or damage caused to the said President in respect of the breach of any term of the contract by the said M/s ——— (here enter the name of the contractor). We also authorise the President of India to recover the same directly from the Reserve Bank of India from our deposits of cash and/or other securities. The said Reserve Bank of India, have at the request of the ——— (here enter the name of the bank) agreed to pay to the President of India, on demand and from out of the said deposits any sum that may have become payable to the said president under the above mentioned contract and in respect of which ——— (here enter the name of bank) have hereby given this guarantee for payment. This guarantee will continue to remain in force till all the dues of the President of India have been paid and his claims satisfied or till ——— (here enter the name of the Government department) certifies that the contract has been properly performed and discharges this guarantee. The ——— (here enter the name of bank) further undertake not to revoke this guarantee during its currency except with the consent of the President of India.

VIII

Circular letter No. 2283—F.R.—53/2800 dated the 15th April, 1953, from Secretary to Government, Punjab, Finance Department to all Heads of Departments.

Subject :—Acceptance of guarantee bonds executed by banks for the implementation of Government contracts.

I am directed to invite a reference to Punjab Government Circular letters Nos. 7201—F—51/6618 dated the 17th December 1951, 3706—F.R.—52/4438 dated the 16th June, 1952. and 8904—F.R.—52/93 dated the 10th January, 1953, on this subject and to enclose, for your information, a copy of the guarantee bond, as amended on the suggestions made by the Reserve Bank of India. I am to request that the guarantee bonds executed by banks for the implementation of Government contracts etc., may be amended on the lines of the enclosed draft guarantee bond.

Guarantee Bond.

In consideration of the Governor of the Punjab having, at our request, agreed to accept this ——— (here enter the name of bank) Guarantee in lieu of cash deposit required from ———

(here enter name of firm, etc) for the due fulfilment by them of the terms of the contract, dated for ——— (here state particulars of contract).

We ——— (here enter name of bank) hereby undertake to indemnify the Governor of the Punjab on demand to the extent of ——— (here state the amount) against any loss or damage caused to the said Governor in respect of the breach of any term of the contract by the said ——— (here enter the name of firm, etc.,) We also authorise the Governor of the Punjab to recover the same directly from the Reserve Bank of India from our deposits of cash and/or securities. The said Reserve Bank of India have, at the request of the ——— (here enter the name of the bank) agreed to pay to the Governor of the Punjab, on demand from out of the said deposits any sum which may have become payable to the said Governor under the above-mentioned contract and in respect of which the ——— (here enter the name of bank) have, hereby, given this guarantee for payment. This guarantee will continue to remain in force till all the dues of the Governor of the Punjab have been paid and his claims satisfied or till ——— (here enter the name of Department) certifies that the contract has been properly performed and discharges the guarantee. The ——— (here enter the name of bank) further undertake not to revoke this guarantee during its currency except with the consent of the Governor of the Punjab.

It is hereby further agreed and declared that any variance made in the terms of the contract between the ——— (contractor) and the Governor of the Punjab of any forgiveness or forbearance on the part of the said Governor towards the ——— (contractor) or any extension of time granted by the said Governor to or any composition made by the said Governor with the ——— (contractor) shall not, in any way, release or exonerate the ——— (bank) in respect of its liability under the above written bond.

IX

Government of India, Ministry of Finance, Department of Economic Affairs Office Memorandum No. 7 (107)—F.I./50 dated the 12th May, 1951.

Subject :—Guarantees offered by scheduled banks to Railways and the Government departments regarding payment of freight, implementation of Government contracts, etc.

The undersigned is directed to invite a reference to para 2 of the Ministry of Finance, Department of Economic Affairs Office Memoranda of even number dated the 1st May, 1952, and the 9th December, 1952, on the subject noted above and to state that the Bombay Exchange Bank's Association has again represented that

delays on the part of Government Departments in sending advice to the Reserve Bank of India regarding the cancellation of the guarantees are still occurring and have suggested that the Reserve Bank may release the relative securities on production, by the bank concerned, of the cancelled guarantee, even if advice regarding the cancellation of the guarantee has not been received by the Reserve Bank from the Government Department concerned. The Ministry of Finance have given due consideration to the proposal of the Association, but are of the view that as the securities are held by the Reserve Bank of India on behalf of Government of India, they should be released only on receipt of instruction from the Government Department concerned. With a view, however, to avoid hardship to the banks and in the interests of the working of the scheme, it is requested that intimation regarding the cancellation or expiry of the guarantees executed in their favour should be sent to the Reserve Bank of India by the Department concerned as promptly as possible.

(Signed) F.I.D.

Under-Secretary to the Government of India.

To all Ministries of the Government of India, Part C States, Part A and B States (for information) the Comptroller and Auditor-General of India and all Accountants-General and Comptrollers.

X

Office Memorandum No. F. (107)—F. I/50 dated the 1st June, 1953, from the Government of India, Ministry of Finance, Department of Economic Affairs.

Subject :—Guarantees offered by schedule banks to Railways and other Government departments regarding payment of freight, implementation of Government contracts, etc.

With reference to the Ministry of Finance, Department of Economic Affairs Office Memorandum of even number dated the 9th December, 1952, on the subject noted above, the undersigned is directed to say that the working of the scheme for accepting guarantees from the Imperial Bank of India and the other scheduled banks, subject to certain conditions, outlined in the Ministry of Finance, Department of Economic Affairs, Office Memorandum No. F. 7 (107)—F.I/50 dated the 5th November, 1951, has been further reviewed. As no serious difficulties appear to have been encountered by the Government departments in the working of the scheme, it has been decided to extend it for a further period of one year from the 1st June, 1953, at the end of

which the position will be again reviewed. It has, however, been decided that a scheduled bank be given the choice to deposit securities as cover for guarantees executed or fixed deposit receipts tendered not only with that office of the Reserve Bank of India with which it maintains its principal account under Regulation 2 of the Schedule Banks' Regulations, but also at any office of the Reserve Bank of India at which place the guaranteeing or tendering branch is situated.

2. It has been further decided in partial modification of the orders contained in the Ministry of Finance, Department of Economic Affairs, O.M. No. F. 7(135)—F.I/48 dated the 30th December 1949, that the fixed deposits of the scheduled banks, other than the Imperial Bank of India, tendered as security deposit for Government contracts etc., may be accepted provided the bank concerned deposits with the Government department concerned or with the Reserve Bank of India cash or Government securities to cover the fixed deposits, in the latter case, the procedure to be followed being that contained in para 2 of the Ministry of Finance., Department of Economic Affairs, Office Memorandum No. F. 7 (107)—F./150, dated the 5th November, 1951, as amended by the decision mentioned in the concluding paragraph of para 1 above. The terms of issue of the fixed deposit receipt continue to be governed by the provisions of Rule 277 of the General Financial Rules, Vol. I of the Central Government.

(Signed) K. B. P.

Assistant Secretary to the Government of India.

To all Ministries of the Government of India all Part C States all Part A and B States (for information), the Comptroller and Auditor-General of India and all Accountants-General and Comptrollers.

XI

Rule 3, 6 of the Subsidiary Treasury Rules, Punjab, corresponds to Rule 277 of the General Financial Rules, Vol. I of the Central Government.

ANSWER TO S. A. E.

JANUARY 1954

I. PRECIS

Subject :—Acceptance of guarantee bonds executed by banks for the implementation of Government Contracts, etc.

In the Ministry of Finance, Department of Economic Affairs, Office Memorandum No. F. 7. 133. FI/48 dated the 30th December, 1949, it was decided *inter alia* that the system of accepting deposit receipts of banks other than the Imperial Bank of India as security for Government contracts, etc., should be discontinued. Since then, the Ministry of Finance, in consultation with the Reserve Bank of India, had been considering the question of accepting guarantee bonds executed by banks on behalf of their clients for due implementation of Government contracts, etc. After due deliberation they had also decided that the principles regulating the acceptance of such guarantees in future should be :

(a) Guarantee bonds executed by the Imperial Bank of India might be accepted.

(b) Guarantee bonds executed by a scheduled bank might be accepted provided :—

(i) The bond in question was countersigned by the Imperial Bank of India, whereby it undertook full responsibility to indemnify the Government concerned in case of default, or

(ii) The bank concerned would lodge with the Reserve Bank of India requisite securities *viz.*, Cash Deposits or Government securities in respect of the guarantees to be executed by it and the Reserve Bank would advise the Government concerned that the bond might be accepted.

In cases where a scheduled bank preferred to offer guarantees, under (b) (ii) above, this procedure might be followed. The office of the bank executing the guarantee would advise the Provincial Office of the Reserve Bank of India with which it maintained its principal account according to the scheduled banks' regulations of the amount of the guarantee, the name of the party for whom the guarantee was given and the name of the Government Department in whose favour it was executed, enclosing a copy of its letter to the Government Department concerned. The Reserve Bank of India satisfying itself would advise the Government Department concerned to accept the Bank's guarantee. When a guarantee expired or was cancelled, the bank and the Government Department

concerned would both advise the Principal Office of the Reserve Bank whereupon the relevant securities would be released. Adopting this scheme for one year from the 1st December 1951, the Ministry of Finance desired that any difficulties or *lacuna* observed in the actual working of the scheme might be brought to their notice by the ministries of the Government of India. Chief Commissioners, State Governments, the Auditor-General of India and Accountants-General.

2. The Finance Department of the Government of Punjab in their letter No. 8904, FR. 52/93, dated the 10 January 1952 addressed to all Heads of Departments referred to the satisfactory working of the scheme with no serious difficulties or *lacuna* reported and stated their decision that the scheme might be continued for a period of six months from 1st December, 1952. They also impressed upon the heads of Departments, the fact of strict compliance with the rule of submitting prompt reports to the Reserve Bank regarding cancellation or expiry of the guarantees executed in their favour.

3. The intention behind the guarantee bonds alluded to in paragraph 1 of Finance Department's Memorandum dated the 5th November, 1951, was that in the event of a default on the part of a contractor, the Government Department concerned should be able to recover its dues directly from the Reserve Bank of India out of the security deposits lodged with it by the guaranteeing banks. With a view to give legal effect to this arrangement, it was necessary that a suitable term of condition be incorporated in the guarantee bonds as approved by the Ministry of Law. The Ministry of Finance, Department of Economic Affairs, in their Office Memorandum No. F. 107. FI/50 dated the 1st May, 1952 referred to the complaint raised by the Reserve Bank of India that advice regarding cancellation or expiry of bank guarantees as required by the procedural rule was not being sent expeditiously by certain Government departments to the concerned principal office of the Reserve Bank and requested that the rate might be strictly adhered to in the interest of the success of the scheme. The Punjab Government, Finance Department, in their Circular letter No. 8706, FRW 52/4438 dated the 16th June, 1952, addressed to all the Heads of Departments, detailed the procedure regarding the acceptance of guarantee bonds and insisted on the avoidance of delay in the lifting of the Reserve Bank's lien on the relative securities.

4. As the scheme for accepting guarantees from the Imperial Bank of India, and the scheduled banks subject to the specified conditions had worked satisfactorily with no serious difficulties or *lacuna* reported by the Government Departments, the Ministry of Finance, Department of Economic Affairs, in their Memorandum No. F. 7/107. FI/50 dated the 9th December, 1952, decided that

it might be continued for a further period of six months from the 1st December 1952. They, however, pointed out that two stumbling blocks to the successful working of the scheme still persisted namely the delay on the part of the Government Departments concerned in reporting the cancellation or expiry of the guarantees executed in their favour to the Reserve Bank, thus causing the unnecessary locking up of securities and sometimes the inability experienced by the Government departments concerned to trace, the guarantees forwarded to them. The Ministry of Finance would desire the Ministry of Railways etc., to impress once again upon all concerned the desirability of strictly carrying out the instructions contained in paragraph 2 of the Memorandum No. F. & (107). FI. 50 dated the 1st May 1952.

5. As regards the form of guarantee the various Government departments had been acquainted with the new arrangement arrived at between the Reserve Bank and other Banks and asked to modify the form so as to be suitable to each of them. Consequently the Ministry of Finance, Government of India, in their Memorandum No. F. 7, 107. FI/50 dated 21st March 1952 enclosed a copy of the draft guarantee bond and desired the Ministry of Railways to issue fresh instructions to the Railways for adopting the guarantee bond. It was also forwarded to all Departments and States, the Comptroller and Auditor-General and all Accountants-General. It was requested that, if necessary, the guarantee bonds executed by Banks in favour of the Ministry of Defence etc., might be amended on the lines of the draft guarantee bond. The Government of the Punjab, Finance Department, in their Circular letter No. 2283. FR. 53/2800 dated the 15th April 1953, to all Heads of Departments enclosed a draft guarantee bonds and requested that the guarantee bonds executed by banks for the implementation of contracts etc. might be amended on the lines of it.

6. On the point of the delays made by Government Departments in sending advance to the Reserve Bank of India, regarding the cancellations of the guarantees, the Bombay Exchange Bank's Association suggested that the Reserve Bank might release the relative securities on production by the Bank concerned of the cancelled guarantee, even if advice had not come from the Government Department concerned. But the Ministry concerned negatived the suggestion and would assure only as prompt a despatch of the advice as possible.

7. In view of the successful working of the scheme they decided to extend it for a further period of one year, from the 1st June 1953, at the end of which the position would be again reviewed. It was a part of that decision that the scheduled bank be given the choice to deposit securities or fixed deposit receipt ten-

dered not only with that office of the Reserve Bank with which it maintained its principal account, but also at any office of the Reserve Bank at which place the guaranteeing or tendering branch was situated. Also inpartial modification of the orders contained in original memorandum No. F. 7 (135). FI/48 dated the 30th December 1949, the fixed deposits of the scheduled banks, other than the Imperial Bank of India, tendered as security deposit might be accepted provided the bank concerned deposited with the Government concerned or with the Reserve Bank of India cash or Government securities to cover the fixed deposits, The terms of issue of the fixed deposit receipts continued to be governed by the provisions of Rule 277 of the General Financial Rules, Volume I of the Central Government.

IMPORTANT POINTS

1. The Ministry of Finance, Government of India, in consultation with the Reserve Bank of India, on the question of accepting guarantee bonds. Principles regulating the acceptance of such guarantees.
2. The procedure to be adopted by the scheduled bank.
3. The intention behind the guarantee bonds being adequate protection against default.
4. Complaint regarding delays in advising the cancellation or expiry of bank guarantees. The rule regarding this to be strictly adhered to.
5. The Punjab Government reporting about the satisfactory working of the scheme and their insistence on the rigorous pursuit of the rules communicated to all Heads of Departments.
6. The Finance Department, Government of India, deciding to continue the scheme for a further period of six months from the 1st December 1952. Two stumbling blocks in the way of the successful working of the scheme to be avoided. Finance Ministry advising the Ministry of Railways.
7. The form of guarantee: Specimen enclosed and the different departments advised to modify it to suit their purposes.
8. A new suggestion regarding cancellation of the guarantees. Ministry of Finance's disapproval.
9. The decision to extend the scheme for a further period of one year from the 1st June 1953. A partial modification of the original orders.

· II DRAFT.

No.....

GOVERNMENT OF PUNJAB,

Finance Department.

From

**The Secretary to the Government of Punjab,
Finance Department.**

To

All Heads of Departments in the Punjab State

Dated : Punjab.....the.....

Subject :—Acceptance of guarantee bonds executed by banks for the implementation of Government contracts etc.

Sir,

I am directed to invite a reference to Punjab Government Circular letters Nos. 7201, F. 51/6618 dated the 17th December 1951, 8904. FR/52/93 dated the 10th January 1952, 8706. FR. 52/4438 dated the 16th June 1952 and 228.3. FR. 53/2800 dated the 15th April 1953, on the above subject., The experiment of accepting guarantee bonds executed by banks on behalf of their clients for due implementation of Government Contracts on the lines laid down by the Office Memorandum No. F. 7.135, FI/48 dated the 30th December 1949, from the Ministry of Finance, Department of Economic Affairs, Government of India, has been tried with success in the Punjab for two or three half years.

2. Although no difficulties or lacuna have been brought to the notice of this Government in the actual working of the scheme it has been pointed out by the Reserve Bank of India, that advice regarding cancellation of expiry of the guarantee bonds was protractedly delayed by the Governments concerned. To obviate this difficulty, instructions have been issued from time to time to all Heads of Departments on the submission of prompt reports to the Reserve Bank regarding cancellation or expiry of the guarantees executed in their favour. A copy of the guarantee bond, as amended on the suggestions made by the Reserve Bank of India has been supplied to each department so that the guarantee bonds executed by banks for the implementation of Government Contracts may be amended on the lines indicated in it.

3. The Government of India, Ministry of Finance, in their Office Memorandum No. F. 107-FI/50 dated the 1st June 1951, have decided to extend the scheme of accepting guarantee bonds for a further period of one year from 1st June 1951 consequent upon the smooth working of it during the previous reviewed periods. It has, however, been proposed that a scheduled bank be given the choice of deposit securities as cover for guarantees executed or fixed deposit receipts tendered not only with that officer of the Reserve Bank with which it maintains its principal account but also at any office of the Reserve Bank at which place the guaranteeing or tendering branch is situated.

4. I am therefore to state that the scheme of accepting guarantee bonds for the implementation of Government contracts has been extended for a further period of one year from the 1st June 1953 at the end of which the position will be again reviewed. It has been further decided that in partial modification of the orders contained in the Ministry of Finance, Office Memorandum No. F. 7 (135)—F.I./48 dated the 30th December 1949, the fixed deposits of the schedule banks other than the Imperial Bank of India, offered as security for Government contracts etc., may be accepted provided the bank concerned deposits with the Government Department concerned or with the Reserve Bank cash or government securities to cover the fixed deposits. The terms of issue of the fixed deposit receipts continue to be governed by the provisions of Rule 277 of the General Financial Rules, Volume I of the Central Government. And Rule 3.6 of the Subsidiary Treasury Rules, Punjab, corresponds to Rule 277 referred to above.

Yours faithfully,

(Designation.)

Note.—The circular letter No. 8706. F.R.—52/4433 dated 16th June 1952, contains details which are also in the early memoranda of the Government of India Ministry of Finance. As the Heads of Departments in the Punjab State have already been acquainted with those details, there is no need in the draft for an abstract of them. The question paper instructs you to convey the decision of the State Government to extend the scheme for a further period of one year. So you have to fall back upon the Office Memorandum contained in Section X. As regards the recapitulation of the instructions contained in the Office Memoranda of the Punjab Government, one cannot do more than merely refer to a string of circular letters with their numbers and dates.

S.A.E.

November 1954

[Time allowed—3 hours.]

[Maximum Marks—150

Marks

- I. Prepare a precis of the correspondence and notes given below. (Serial Numbers I to XVII.) 100
- II. Draft an Office Memorandum as from the Secretary to the Government, Finance Department, to the Legislative Department, Government of India, stating the decision of the Government of India to amend section 5 (1) of the Provident Funds Act, 1925 (Act No. XIX of 1925), to make clear the points as mentioned in Clauses (a), (b) and (c) of paragraph 1 of the Government of India, Finance Department letter No. F. 22(11)—R.II/44 of 13th July, 1944, after making the modification in clause (b) as suggested by the Secretary, Legislative Department, at Serial No. XVII, and requesting that Department to prepare necessary draft Bill for introduction in the Central Legislature during the next session with a view to its being passed into Law. In the draft an indication should be given, for the information of that Department, of the fact that clause (b) of the Finance Department letter of 13th July, 1944, has been modified as suggested by the Secretary, Legislative Department, in his note of 20th July, 1945. 50

I

Letter M.S. No. 548, dated the 15th November, 1943, from the Government of Madras to the Government of India, Finance Department.

I am directed to request that the Government of India will be pleased to consider the question of amending the Provident Funds Act, 1925 (Act No. XIX of 1925), for the reasons stated below.

2. The Madras High Court has held in the case reported in Indian Law Report-59 Madras 855 that Section 5 of the Provident

Funds Act confers on the nominee a vested right and therefore a right transmissible to his heirs. That judgment implies that dependants as defined in section 2 (c) of the Act who are not the legal heirs of the nominee cannot have any claim to receive any portion of the Provident Fund amount which the nominee would have received if he had survived the subscriber. The Calcutta High Court, in its decision reported in Indian Law Report (1940)/Cal. P.476 has, however, given a contrary decision although the above Madras High Court decision was brought to its notice. According to the Calcutta High Court decision, the amount standing at the subscriber's credit should be paid to his dependants in the first instance and the nominee or the nominee's representatives will be entitled to receive only any sum or balance which is not payable under clause (a) of section 4 of the Act to a dependant. The Government of Madras consider that the conflict between the decisions of the two High Courts should be resolved as early as possible by legislation laying down the law in clear and unambiguous terms.

3. I am to point out in this connection that the adoption of the course mentioned in the Government of India, Finance Department letter No. F. 20 (2)—R. II/43, dated 8th September, 1943, is likely to lead to considerable practical difficulties. It is to be expected that in the majority of cases there will be rivalry between the dependants of the deceased subscriber and the heirs of the deceased nominee. In such cases the consent of the dependants to the payment of the money to the heirs of the deceased nominee will not be forthcoming and payment will have to be withheld until the disputes are settled, perhaps by a protracted litigation. This may result in hardship to the parties concerned. In the circumstances the procedure of making payment to the heirs of the deceased nominee with the consent of the dependants of the deceased subscriber will not be practicable in many cases.

4. It is true that if subscribers to the Provident Funds send the nominations and the contingent notice of cancellation in the forms prescribed in the Provident Fund Rules the nomination in favour of a person who predeceases the subscriber will automatically stand cancelled and there will be no legal difficulties in deciding the persons to whom the Provident Fund amount should be paid. There will, however, be a good number of subscribers who fail to send contingent notices of cancellation, when they forward their nominations to the Accounts Officer and it is desirable that the law should be made clear in regard to the persons who will be entitled to receive the Provident Fund amount in such cases.

II

Letter No. F.22 (11)—R.II/44, dated the 13th July, 1944, from the Under-Secretary to the Government of India, Finance Department, to all Provincial Governments.

I am directed to say that, for reasons which are explained below, the Government of India have come to the conclusion that section 5 (1) of the Provident Funds Act, 1925, should be amended in order to make it clear—

- (a) That the right of a subscriber's nominee to receive his Provident Fund deposits is not vested right accruing to the nominees as soon as the nomination is made but only a contingent right ;
- (b) That the " absolute " right of a nominee will also be contingent on the nomination not being invalidated under the rules of the Fund either as at the time of nomination or as subsequently amended ; and
- (c) That if a nominee does not survive the subscriber, the nomination shall cease to subsist unless it appears by the nomination that in that event to the sum in question should go to some other person specified in the nomination.

2. Amendments (a) and (b) are necessitated by conflicting judicial rulings on the question of the rights of a nominee and the nominee's heirs to receive a subscriber's Provident Fund deposits. The Madras High Court has held that the " absolute " right to receive the money conferred by rules of a Provident Fund [e.g. Rule 5 (1) of the Indian Civil Service Provident Fund Rules] read with section 5 (1) of the Provident Funds Act meant a *vested right* in the money, which passed to the heirs of the nominee at his or her death. This finding overruled the contention that the effect of a nomination under the rules was merely to entitle the nominee to receive the money if he were alive at the time of the subscriber's death.

The Calcutta High Court in 1940 was initially inclined to the view that where the nominee predeceased the subscriber, the nomination ceased to subsist, but after referring to the Madras ruling came to the conclusion that the Act itself provides that the rights of a nominee which includes the rights of the nominee's representative, are expressly postponed to the rights of a dependant as defined in section 2 (b) of the Act.

A Judicial Commissioners Court ruled that the deposits of a subscriber remained his property till his death and observed that the " absolute " right of a nominee to receive the deposits of a subscriber is, in fact, contingent on the

amount not being withdrawn by the subscriber himself during his lifetime and on the nomination not being varied or cancelled by the subscriber. This ruling is in accord with the view held throughout by the Government of India, and though the question of amending the Act to make this intention clear was considered in the past, it was not then proceeded with.

3. Amendment (c) in paragraph 1 above is intended to provide for contingent or alternative nominations to cover the case of a subscriber and his nominee dying in the same accident or of a subscriber dying shortly after the nominee without having made a fresh nomination. This is regarded as a not unlikely contingency during these times and affords very strong argument for undertaking the proposed legislation. In this connection, a reference is invited to this Department's letter No. F.22(8)—R.II/42, dated the 17th August, 1942, forwarding a copy of this Department's letter to Chief Commissioners regarding the making of alternative nominations by subscribers under the rules of various Provident Funds. The amendment to section (5) (1) of the Provident Funds Act in the manner proposed would render the expedient suggested in that letter unnecessary.

4. Before steps are taken to enact amending legislation, I am to request that the views of the Government of Madras, etc., may be furnished at an early date.

5. I am also to request that the views of institutions mentioned in Schedule to the Provident Funds Act, 1925, with which the Government of Madras, etc., are concerned may also be obtained and communicated to this Department as soon as possible.

Finance Department, Office Memorandum No. F.22(11)—R.II/44, dated the 13th July, 1944.

The undersigned is directed to enclose a copy of this Department letter to Provincial Governments No. F.22(11)—R.II/44, dated 13th July 1944 and to request that the views of the Departments with which it is concerned, to which the provisions of the Provident Funds Act, 1925, have been applied, may be obtained and communicated to this Department together with the remarks of the Home, etc., Department on the subject.

No. F. 22 (11)—R. II/44, dated the 13th July, 1944.

Copy forwarded to the Reserve Bank of India with reference to the Finance Department endorsement No. D.6917—F, dated the 3rd August, 1935, regarding the Reserve Bank of India, with the request that this Department may be informed of the views in the matter.

III

Office Memorandum from the Legislative Department, No. F.4V/44—E, dated the 31st July, 1944.

With reference to the Office Memorandum from the Finance Department No. F.22(11)—R.II/44, dated the 13th July, 1944, the undersigned is directed to state that this department has no comments to offer on the amendments proposed therein. This department is not concerned with any institutions to which the provisions of the Provident Funds Act, 1925, have been applied.

IV

Letter No. D.F. 872, dated the 9th August, 1944, from the National Association for supplying medical aid by women to the women of India to the Under-Secretary, Government of India, Finance Department.

With reference to your letter No. F.22(11)—R.II/44, dated the 13th July, 1944, on the subject of amendments of section 5 (1) of the Provident Funds Act, 1925, I am directed to inform you that this Association is of the view that the deposits of a subscriber remain his property till his death and that the right of a nominee to receive the deposits of a subscriber is contingent on the amount not being withdrawn by the subscriber himself during his lifetime and on the nomination not being varied or cancelled by the subscriber. In view of the conflicting judicial rulings it seems necessary that the Act should be amended suitably. It is also agreed that the provision should be made in the Act for alternative nominations to cover the case of a subscriber and the nominee dying in the same accident or of a subscriber dying shortly after the nominee without having made a fresh nomination.

V

Letter No. 6973, Pen—10, dated the 5th August, 1944, from the Government of Madras, to the Government of India, Finance Department.

In reply to paragraph 4 of the Government of India, Finance Department letter No. F. 22 (11)—R. II/44, dated the 13th July, 1944, I am to say that the Government of Madras agree to the Provident Funds Act being amended as indicated in paragraph 1 of that letter and that they consider that the proposed amendments will meet the difficulties brought already to the notice of the Government of India.

2. The views of the institutions mentioned in the Schedule to the Provident Funds Act with which this Government are,

concerned will be forwarded to the Government of India separately as soon as they are received.

VI

Letter No. 23 Admn. (5)/44, dated the 7th August, 1944, from the Government of India, Defence Department, to the Government of India, Finance Department.

This department agree with the proposal to amend section 5 (1) of the Provident Funds Act, 1925, and have no further remarks to offer.

VII

Letter from the Government of Assam, No. B.P. 56/44/3, dated the 16th August, 1944.

I am directed to invite attention to the Government of India, Finance Department letter No. F. 22 (11)—R. II/44, dated the 13th July, 1944, and to say that this Government agree to the proposed amendment of section 5 (1) of the Provident Funds Act, 1925. None of the institutions specified in the Schedule was consulted, as the provisions of the Provident Funds Act do not apply to any other Provident Fund established for the benefit of the employees of any group of such institutions in this Province.

VIII

Letter No. Staff 1888/66—44, dated the 25th August, 1944, from the Reserve Bank of India, Bombay, to the Government of India, Finance Department.

With reference to your Memorandum No. F.22(11)—R.II/44, dated the 13th July, 1944, we have to advise that the Reserve Bank of India agree that in view of the conflicting judicial opinions on the question of the rights of a nominee and the nominee's heirs to receive a subscriber's provident fund, it is desirable to amend section 5 (1) of the Provident Funds Act, 1925, on the lines suggested by you.

2. With regard to the proposals contained in paragraphs (a) and (b) we have already made a provision in our Provident Fund Regulations that the right of a nominee to the amount standing to the credit of a subscriber is contingent on his surviving the subscriber and in case the nominee predeceases the subscriber, the nomination, by virtue of a contingent notice of cancellation executed by the subscriber becomes automatically cancelled.

3. We also approve of the proposal in paragraph (c) as it provides for alternative nominations to cover cases where the nominee and subscriber die practically simultaneously.

IX

Letter from the Government of Madras No. 6973—Pen—12, dated 30th August, 1444.

I am directed to forward the views of the Court of Wards, Madras, which is included in the Schedule to the Provident Funds Act.

Letter from the Secretary, Court of Wards, Madras, No. C. P. Misc. 515, dated the 17th August, 1944, to the Government of Madras.

The Court submits that the judgement in the Judicial Commissioners Court reported in A.I.R. (1939), represents the correct interpretation of the Provident Funds Act, 1925, and that the ruling of the Madras High Court reported in 59—Mad.—855 does not accord with the objects of the Act. It considers that the sums standing to the credit of a subscriber remain his property until his death and cannot vest in the nominee immediately on nomination. In its opinion, the right of a nominee is that of a person entitled to property under a testamentary disposition and not the right of a transferee taking a vested interest during the lifetime of the subscriber, as held by the Madras High Court. In fact, section 5 of the Provident Funds Act contemplates the cancellation of one nomination by another, or the cancellation altogether of a nomination by the subscriber. A vested right is not liable to be defeated in that manner. That this is also the right view seems evident from the rules relating to nomination made in the I.C.S. Provident Fund Rules, dated 3rd June, 1942. These rules expressly provide for the making of a nomination and the issue of a notice of cancellation of a nomination in the event of the nominee or any of the nominees predeceasing the subscriber. There is also a provision for a simultaneous issue of a similar notice by a subscriber who makes a nomination at a time when he has no family to the effect that in the event of the subscriber thereafter acquiring a family the nomination shall stand cancelled. The court, therefore, holds that the right of a nominee to receive the Provident Fund after the death of a subscriber is contingent on his surviving the subscriber and that both under sections 3 and 5 of the Provident Funds Act, no right of any kind whatever vests in or accrues to any dependant or nominee before the death of the subscriber. It accordingly submits that in order to make the intention of the Act clear, the amendments proposed by the Government of India to section 5 (1) of the Provident Funds Act, 1925, are both necessary and desirable.

X

Office Memorandum from the Government of India, Home Department, No. 10/3/44—Ests., dated the 29th August, 1944.

With reference to the Finance Department Office Memorandum No. F. 22 (11)—R.II/44, dated the 13th July, 1944, the undersigned is directed to inform you that this Department agrees generally to the amendment of the Provident Funds Act, 1925, in the manner proposed.

2. It would seem, however, with reference to paragraph 1 (b) of the Government of India, Finance Department letter to Provincial Governments of the 13th July, 1944 that a purported nomination, invalid at the time of nomination could hardly be regarded as a nomination within the meaning of section 5 (1) of the Act,

XI

Letter No. 1575/34—D, dated the 3rd January, 1945 from the Government of Bombay to the Government of India, Finance Department.

I am directed to state in reply to the Government of India, Finance Department letter No. F.22(11)—R.II/44, dated the 13th July, 1944, that the Government of Bombay agrees that section 5 (1) of the Provident Funds Act, 1925, should be amended in the manner proposed.

2. All the institutions mentioned in the Schedule to the Provident Funds Act, 1925, with which this Government is concerned have been consulted, except for 3 schools, which have either expressed their disapproval or suggested changes, all the institutions from which replies have been received have agreed to the amendment.

XII

Letter from the Government of Punjab, No. 348—F.R. 45/8646, dated the 9th February, 1945.

In reply to the Government of India, Finance Department letter, No. F.22(11)—R.II/44, dated the 13th July, 1944, I am directed to say that the proposed amendment of Section 5 (1) of the Provident Funds Act, 1925, will resolve much difficulty which is felt in this Province in regard to the application of this law. The practice in this Province has been to refer the contending parties to a court by the method of an interpleader suit, but the hope of obtaining an authoritative decision by this means has always been defeated by the parties coming to a compromise.

2. The University of the Punjab has also been consulted in the matter and in their opinion the proposed amendment is suitable and desirable.

XIII

Letter from the Government of the Central Provinces, No. 3351—1709—R.VI, dated the 11th September, 1944.

I am directed to refer to the Government of India, Finance Department letter No. F.22(11)—R.II/44, dated the 13th July, 1944, and to state that the Provincial Government concurs in the view that Section 5 (1) of the Provident Funds Act, 1925, needs amendment so as to make its intention clear as indicated in paragraph 1 of the letter under reference.

2. The views of the institutions referred to in paragraph 4 of that letter have been obtained regarding the proposed amendment. Except for one non-Government college affiliated to the University of Nagpur, all the institutions from which replies have been received have agreed to the amendment. A copy of the statement containing the views of that college is appended.

Principal, Hitkarni City College, Jubbulpore.

(i) The right of subscriber's nominee to receive his Provident Fund Deposits should be considered on the same lines as the right of a person in whose favour a "will" has been made. So long as the testator has not, by a subsequent "will", expressed his intention in favour of another beneficiary, the former beneficiary has his vested right in the property. Similarly the subscriber's nominee has a vested right accruing to him as soon as the nomination is made, being contingent on one condition only, *viz.*, if the subscriber has not subsequently changed his nominee. Amended clause (a) should, therefore, run as follows:—

"That the right of subscriber's nominee to receive his Provident Fund Deposits is not a vested right accruing to the nominee as soon as the nomination is made being contingent on one condition only, *viz.*, that the subscriber has not subsequently changed his nominee."

(ii) Clause (b) appears to be detrimental to the nominee as well as the subscriber. If the nomination is invalidated during the lifetime of the subscriber, the subscriber can fix up another nominee, but if it is invalidated after his death, where is the amount to go? Hence the clause should run as follows:—

"That the 'absolute' right of a nominee will also be contingent on the nomination not being invalidated during the lifetime of the subscriber under the rules of the Fund either as at the time of the nomination or as subsequently amended."

(iii) Clause (c) is perfectly justified in as much as the subscriber being alive after the death of his nominee, he can nominate other person as his nominee. But in the event of the subscriber failing to make a fresh nomination before his own death and in case it does not appear from the former nomination that in that event the sum in question should go to some other person specified in the nomination, what is to become of the sum? In such a case the amount should go to the heirs of the nominee. The clause should, therefore, be amplified to make provision for this.

XIV

Letter from the Government of Bengal, No. 558—F, dated the 29th March, 1945.

With reference to the Government of India, Finance Department letter No. F. 22 (11)—R. II/44, dated the 13th July, 1944, I am directed to state that the Government of Bengal have no objection to the proposed amendment of Section 5 (1) of the Provident Funds Act, 1925.

2. I am also to forward herewith a copy of the letter from the Registrar, Calcutta University, containing the views of that university.

Copy of letter No. 1029, dated the 20th December, 1944, from the Registrar, Calcutta University, to the Secretary to the Government of Bengal, Education Department.

Subject:—Amendment of section 5 (1) of the Provident Funds Act, 1925, referred to in the Government of India, Finance Department letter No. F. 22 (11)—R. II/44, dated the 13th July, 1944.

With reference to your letter No. 548 Misc, dated the 7th November, 1944, on the above subject, I am desired by the Vice-Chancellor and Syndicate to state that in view of the conflicting decisions, it is unquestionably desirable that the law should be made clear and certain.

They are of the opinion that instead of making the right of the nominee a contingent one it would be desirable to make it "vested" liable to be divested by the cancellation of the nomination by the subscriber or by another nomination, or by the prior death of the nominee.

As regards proposal (b), it is not clear why the absolute right of a nominee should be made contingent "on the nomination not being invalidated under the rules...as subsequently amended." In their opinion, it is opposed to all sound principles of law that the legal effect and consequences of an act validly done under a cer-

tain rule of law should have the infirmity of being rendered invalid by any subsequent change in the law. It would introduce uncertainty and a sense of insecurity.

XV

Letter No. A.E. 844/156/VIII/1315, dated the 2nd October, 1944, from the General Manager, S.I. Railway, to the Secretary to the Railway Board.

Subject :—Amendment of Section 5 (1) of the Provident Funds Act, 1925, referred to in the Government of India, Finance Department letter No. F. 22 (11)—R.II/44, dated the 13th July, 1944.

It is considered that it would be advantageous from the point of view of the Administration that Section 5 (1) of the Provident Funds Act, 1925, should be amended as proposed by the Government of India so that the disbursement of the amount at the credit of the subscriber can in the event of his death before receiving the money, be made to the persons entitled thereto under the rules.

2. If as contemplated by the Government of India, Section 5 (1) of the Act is amended making provision for alternative nominations also, both the contingent notice of cancellation and the expedient of the nominee leaving a "will" in respect of the Provident Fund money suggested in Railway Board's letter No. F. 42, P.F. 6 (1), of 29th September, 1942, may be dispensed with.

3. It is also considered that if the form of contingent notice of cancellation is dispensed with as a result of the amendment of Section 5 (1) of the Provident Funds Act, 1925, the following provision which originally appeared in the substantive State Railway and South Indian Railway Provident Fund Rules and which was deleted at the time of the introduction of the contingent notice of cancellation should be incorporated in the Provident Fund Rules :—

"On the marriage or re-marriage of a member who is not a Hindu, Mohammadan, Buddhist or other person exempted from the operation of the Indian Succession Act, any declaration already submitted by him shall forthwith become null and void, and a fresh declaration shall be required."

XVI

Letter from the Government of United Provinces, No. M—432—X—442, dated the 28th March, 1945.

With reference to the Government of India, Finance Department letter, No. F. 22 (11)—R.II/44, dated 13th July, 1944, I am directed to say that the Provincial Government agree that the amendments proposed in Section 5 (1) of the Provident Funds

Act, 1925, may be made in the manner proposed by the Government of India in the letter under reply,

2. I am to add that institutions mentioned in the Schedule to the Provident Funds Act, 1925, with which this Government are concerned were consulted and they all agree to these amendments.

XVII

This department need consider only the comments made by the Home Department in their Office Memorandum No. 10/3/44—Ests., dated the 29th August, 1944. The Home Department's comment seems to be based on an erroneous interpretation of the language used in paragraph 1 (b) of the letter to Provincial Governments. That clause (b) does not refer to a purported nomination which is invalid at the time of making it under the rules as existing then. It refers to the following two classes of cases :—

- (a) A nomination which though valid under the rules as existing at the time of the nomination, becomes invalid through the happening of a specified contingency. For instance, an I.C.S. officer who has no "family" as defined in the I.C.S. Provident Fund Rules may validly nominate a stranger under Rule 5. But if subsequently he acquires a "family" the nomination becomes invalid under the rules as existing at the time of making the nomination.
- (b) A nomination which, though valid at the time of making it, becomes invalidated due to a subsequent amendment made in the Provident Fund Rules, even though no specified contingency has happened.

These two classes of cases were fully considered at the time suggestions were made for amendment of Section 5 (1) of the Provident Funds Act, 1925.

However, the meaning of Clause (b) of the Finance Department letter to the Provincial Governments may be made clear by modifying it as :—

"(b)" That the 'absolute' right of a nominee will also be contingent on the nomination which though valid under the Provident Fund Rules as they existed at the time of nomination may become invalid through the happening of a specified contingency or due to a subsequent amendment made in these rules even though no specified contingency has happened.

(Signed)

Secretary.

Legislative Department.
20th July. 1945.

Finance Department.

**ANSWER TO S.A.E. QUESTION PAPER
NOVEMBER 1954****I. PRECIS**

Subject : Amendment to Section 5 of the Provident Funds Act of 1925.

In their letter No. 548 dated 15 11-1948, the Madras Government drew the attention of the Government of India, Finance Department, to the conflicting legal decisions of High Courts on the disposition of the amount at credit of a deceased subscriber in the Provident Fund, under sections 4 and 5 of the Provident Funds Act (Act XIX of 1925). The Madras High Court had held that Section 5 of the Provident Fund Act conferred on the subscriber's nominee a vested right transmissible in his heirs. Consequently the dependents of the subscriber, who were not the legal heirs of the nominee, could not claim any portion of the fund amount, which would have been paid to the nominee, had he survived. Despite the fact that this decision was brought to their notice, the Calcutta High Court gave a contrary decision in a similar case, that the amount should be paid to the deceased subscribers's dependents in the first instance and the nominee or nominee's heirs would be entitled to receive only any sum or balance which was not payable to a dependent under Section 4 (a) of the Act. The Madras Government pointed out that in the majority of cases, there would be rivalry between the dependents of a deceased subscriber, and the heirs of a deceased nominee and that it would, therefore, be difficult in practice to obtain the consent of the dependent to the payment of the money to the heirs of the deceased nominee as suggested earlier by the Government of India. Consequently payments would necessarily be delayed, until settlement of the dispute by protracted litigation causing hardship to the parties concerned. The difficulty could no doubt be avoided if the subscribers forwarded along with their nominations the contingent notice of cancellations in the prescribed form so as to cancel automatically a nomination in favour of a nominee predeceasing the subscriber. There would, however, be many cases in which the subscriber failed to send such contingent notices of cancellation to Accounts officers. The Madras Government, therefore, requested the Government of India to resolve the conflicting legal decisions by suitable amendment to Section 5 of the Act, so that the law might be clear as regards the beneficiaries in such cases.

2. The Government of India, Finance Department in their circular letter No. F. 22 (11)-R.II/44 dated 13-7-44, to all Provincial Governments, copies of which were endorsed to the Depart-

ments of the Secretariat and to the Reserve Bank of India, indicated their intention that the "absolute" right of a nominee to receive the deposits of a subscriber was in fact contingent on the amount not having been withdrawn by the subscriber himself during his life time, and on the nomination not having been varied or cancelled by the subscriber. Accordingly, they conveyed their conclusion to amend Section 5 (1) of the Provident Funds Act in or to make it clear—

(a) that the right of a subscriber's nominee to receive his Provident Fund deposits is not a vested right accruing to the nominee as soon as the nomination is made but only a contingent right ;

(b) That the absolute right of a nominee will also be contingent on the nomination not being invalidated under the rules of the fund, either as at the time of the nomination or as subsequently amended, and

(c) That if a nominee does not survive the subscriber, the nomination shall cease to subsist unless it appears by the nomination, that in that event the sum in question should go to some other person specified in the nomination."

The Government of India expressed the view that clauses (a) and (b) of the proposed amendment were necessitated by the conflicting decisions of the Madras and Calcutta High Courts, while clause (c) was intended to provide for contingent or alternative nominations to cover cases of a subscriber and his nominee dying in the same accident or a subscriber dying shortly after the nominee without having made a fresh nomination. Before taking steps to enact the amending legislation, they desired to have the considered views of the Provincial Governments, the departments of the Government of India, and the institutions mentioned in the schedule to the Provident Funds Act.

3. The replies received indicated that almost all the Provincial Governments, departments of the Government of India, and institutions were in favour of the proposal. The National Association for supplying medical and by women to the women of India stated that the deposits of a subscriber remained his property till his death. While agreeing with the proposed amendment, the Reserve Bank of India mentioned that they had already made specific provisions in their Provident Fund Regulations. The Court of Wards, Madras, considered the right of a nominee as that of a person entitled to property under a testamentary disposition but not as the right of a transferee having a vested interest during the life-time of a subscriber and supported the proposal. The Governments of Madras, Assam, Bombay, Punjab, United

Provinces, Central Provinces and the Defence Department of the Government of India agreed to the amendment as proposed while the Government of Bengal had no objection to it. The Principal of the Hikarni City College, Jubbulpore, suggested alteration to the proposed clauses to the effect that the nominee should have vested right unless the nomination had been changed by the subscriber. The Calcutta University preferred to make the right of the nominee a vested one liable to be divested by the cancellation of the nomination by the subscriber or by any other nomination or by prior death of the nominee. They considered that clause (b) providing for the invalidation of the nomination under the rules as might be subsequently amended would introduce uncertainty and a sense of insecurity. While agreeing generally with the amendment to the Provident Fund Act in the manner proposed, the Home Department of the Government of India pointed out that clause (b) as worded was defective as a purported nomination invalid at the time of nomination could hardly be regarded as a nomination within the meaning of section 5 (1) of the Act. The Legislative Department considered the comment of the Home Department as an erroneous interpretation of the wording in clause (b) which was intended to provide for a valid nomination becoming invalid later through the happening of a specified contingency *e.g.*, a subscriber acquiring a family, or an account of an amendment to the Provident Fund Rules even in the absence of a specified contingency. They suggested, however, that clause (b) might be made clear by modifying it as under :—

“(b) That the absolute right of a nominee will also be contingent on the nomination which, though valid under the Provident Fund Rules as they existed at the time of the nomination may become invalid through the happening of a specified contingency or due to a subsequent amendment made in these rules even through no specified contingency has happened.”

The Government of India decided to amend the Act in accordance with the modification suggested by the Legislative Department.

II. DRAFT
GOVERNMENT OF INDIA
Finance Department.
MEMORANDUM.

No. F. 22 (11)-R. II-44.

New Delhi,
Dated.....19

Subject : **Amendment to Section 5 (1) of the Provident Funds Act (Act XIX of 1925.)**

The undersigned is directed to invite a reference to this Department's endorsement of even No. dated 13-7-44, on the subject indicated above. Section 5 of the Provident Fund Act (Act XIX of 1925) as worded at present has given rise to conflicting legal decisions by the High Courts. The Madras High Court had held in the case of a deceased subscriber that the Act conferred on his nominee a vested right transmissible to his heirs, while the Calcutta High Court although aware of this decision, gave a contrary ruling, that the amount at credit of a deceased subscriber should be paid to his dependents in the first instance, and the nominee or his heir should receive only any sum or balance not payable to a dependent under Section 4 (a) of the Act. It has been suggested that the law should be suitably amended in accordance with the intention of the Government in order to avoid protracted litigation causing hardship to the parties and to enable prompt settlement of claims.

2. The Government of India have carefully examined the question in consultation with the Provincial Governments, departments of the Government of India and the institutions mentioned in the Schedule to the Provident Fund Act of 1925. They have always been of the view that the deposits of a subscriber remained his property till his death and that the absolute right of a nominee to receive the deposits of a subscriber is in fact contingent on the amount not being withdrawn by the subscriber himself during his life-time, and on the nomination not being varied or cancelled by the subscriber. It is also considered necessary to provide for contingent or alternative nomination to cover the case of a subscriber and his nominee dying in the same accident, or the subscriber dying shortly after the nominee without having made a fresh nomination. It has

therefore, been decided that section 5 (1) of the Provident Fund Act (Act XIX of 1925) should be amended to make it clear.

- (a) That the right of a subscriber's nominee to receive his Provident Fund deposits is not a vested right accruing to the nominee as soon as the nomination is made but only a contingent right;
- (b) that the absolute right of a nominee will also be contingent on the nomination, which, though valid under the Provident Fund Rules as they existed at the time of nomination, may become invalid through the happening of a specified contingency, or due to a subsequent amendment made in these rules even though no specified contingency has happened; and.
- (c) that if a nominee does not survive the subscriber, the nomination shall cease to subsist unless it appears by the nomination that in that event the sum in question should go to some other person specified in the nomination.

It is pointed out in this connection that the wording of clause (b) above is in accordance with the modified clause suggested by the Legislative Department in their unofficial note dated 20-7-45.

3. The need for early legislation to resolve the conflicting legal decisions cannot be over-emphasised. The undersigned is, therefore, to request that necessary draft bill may be prepared by the Legislative Department for introduction in the Central Legislature during the next session with a view to its being passed into law.

Secretary,
Finance Department.

To
The Secretary,
Legislative Department

S. A. E. 1
January 1955

Time allowed—3 hours.]

[Maximum Marks—150

Marks

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|--|----|
| I. Prepare a precis of the Memoranda and letters marked I to XIII | 90 |
| ... | |
| II. In modification of the Finance Department Office Memorandum No. F.1 (37)—Ex. II/39, dated the 14th March, 1940, draft a self-contained Office Memorandum on the basis of the acceptance of the recommendations contained in the Office Memoranda of the Legislative Assembly Department No. 647/40E, dated the 28th March, 1940. | 60 |

I

No. F.1 (37)—Ex. II/39, Government of India, (Finance Department) New Delhi, 14th March, 1940.

Subject :—Allowances admissible to inferior servants employed in the Secretariat and Attached Offices.

Consequent on the Simla Exodus decision, it has become necessary to review the allowances admissible to inferior servants employed in the Government of India Secretariat and Civil Attached Offices. The enclosed statement shows at a glance the house rent and compensatory allowances admissible to the several categories of inferior servants in Simla and Delhi. The permanent headquarters of all these offices have now been fixed at Delhi and the seasonal migration between Simla and Delhi which was the main basis for the grant of these allowances, has disappeared in the case of the majority of staff. Normally, therefore, the justification for the grant of the allowances at Delhi would also cease to exist. This is the view that was taken in the case of Superior Ministerial Servants (*vide* Paragraph 2 of the Finance Department Office Memorandum No. F.1 (35)—Ex. II/39, dated the 29th September, 1939), and if it is adopted in the case of inferior servants, the result will be—

- (1) that all inferior servants will lose the house rent allowance of Rs. 1/8/-per mensem; and

(2) old entrants will have to forego the local allowance under Rule 24 (b) of the Simla Allowance Code, which is granted throughout the year to persons employed in the Secretariat and a few Attached Offices and during the winter season to those serving in the remaining Attached Offices.

It is, however, felt that the case of these low paid Government servants can be distinguished from that of superior employees and that a complete withdrawal of the allowances at this stage might cause a certain amount of hardship to the former. As a very special case, therefore, the Finance Department are disposed to sanction the following concessions :—

- (1) House rent allowance at the existing rate of Rs. 1/8/- per mensem to both old and new entrants who are not provided with Government quarters in Delhi.
- (2) A personal compensatory allowance to old entrants on the following scale :—
 - (a) Rs. 2/-per mensem (about half of the existing allowance) to those who have hitherto drawn it throughout the year; and
 - (b) Re. 1/- per mensem (about one-fourth of the existing local allowance) to those who have been drawing it for the winter season only.

These concessions will be granted with effect from the 1st April, 1940, to inferior servants employed in offices that were permanently located in Delhi during 1938 and from the 1st May, 1940, to those employed in the offices affected by the last year's exodus orders.

2. There remains the question of allowances that should be granted to inferior servants who will continue to move up to Simla during summer. In formulating proposals in this behalf it is proposed to do away with the existing distinctions between new and old entrants and to fix a uniform scale of allowances to be paid for the period of stay in Simla in addition to the compensatory allowance of Re. 2/- or Re. 1/- that may be admissible to any individual under para. 1 above.

The rates are as follows :—

House rent allowance to those not provided with Government quarters in Simla—Rs. 2/-per mensem.

COMPENSATORY ALLOWANCE

Pay Rs.	Allowance Rs.
Up to 16	3 per mensem
17 to 19	3/8 per mensem
20 and above	4 „

3. In view of the approaching move to Simla and of a number of representations that have been received from associations of inferior servants, it is necessary to issue orders as early as possible.

In case *Education, Health, Lands, etc.*, Department have any comments to offer, these may be communicated so as to reach the Finance Department by the 1st April, 1940. In case no reply is received by that date, it will be presumed that the proposal has been agreed to and the necessary orders will be issued.

(Signed) S. H.,

Under Secretary to the Government of India.

To all Departments of the Government of India (except the Home Department).

**ALLOWANCES ADMISSIBLE TO THE MIGRATORY INFERIOR SERVANTS
EMPLOYED IN THE SECRETARIAT AND ATTACHED OFFICES IN
SIMLA AND DELHI**

Nature of Allowances	IN DELHI		IN SIMLA			
	New Entrants	Old Entrants	New Entrants	Old Entrants		
				Attached offices	Secretariat and some attached officers, e.g., Central Board of Revenue	
1	2	3	4	5	6	
House rent allowance (if free quarters are not allotted)	Rs. 1/8/-p.m.	Rs. 1/8 p.m. (special orders issued every year)	Rs. 3/- p.m.	Rs. 2/-p.m.	Rs. 2/- p.m.	
Compensatory Allowance	nil	(As in Col. 6)	Rs. 1/-p.m.	Nil	Pay	Allowances per Mensem
					Less than Rs. 9 9 to less than 11 11 to less than 17 17 to less than 20 20 and above	Rs. 2/8 Rs. 2/12 Rs. 3/4 Rs. 4/4 Rs. 4/5

II

**Office Memorandum from the External Affairs Department
No. 392 F. 0/40, dated the 20th March, 1940.**

With reference to the Finance Department Office Memorandum No. F. 1/(37)—Ex. II/39, dated the 14th March, 1940, the undersigned is directed to state that the External Affairs Department have no comments to offer on the proposals contained in the office memorandum under reference.

III

Letter from the Hon. Secretary, Government of India Imperial Secretariat Record Sorters and Duftris Association, No. 10/40, dated the 25th March, 1940.

I am directed by the Managing Committee of My Association to address the Finance Department on the contemplated proposal to reduce the rate of allowances to be given to the inferior staff in place of the existing local allowance, and to request that the following points may be taken into consideration before arriving at any decision so that the interests of the inferior staff of the Government of India Secretariat may not be adversely affected.

2. The proposals make a drastic cut in the local allowance which has been drawn for the last 40 years or so. As is well known, the prices of all the necessities have gone up considerably as a result of the war. A loss of Rs. 1-4-0 to 2-8-0 p.m. would be a severe blow to these already depleted resources of inferior servants within which they find it extremely difficult to make both ends meet.

3. The main argument for this drastic cut, it appears, is the stoppage of the Simla move. I have been directed to point out in this connection that the stoppage of the move has in no way helped inferior servants financially and New Delhi being equally expensive the inferior staff are in no way better off than before. The reduction has presumably been proposed on the ground that it will no longer be necessary for inferior staff to break up one establishment here and establish another in Simla in the course of the same year and as much it is only that at least a portion of the local allowance should be cut down. I am directed to point out in this connection that poor inferior servants cannot afford to have any establishment worth the name and as such the breaking up or establishing another practically means nothing to this class of people. The proposed cut will, therefore, touch heavily upon the already meagre resources of inferior servants and they will have to curtail their bare necessities to the point of starvation.

4. As has been stated above, the local allowance has been drawn for the last 40 years or so in addition to their pay and as such they have always regarded it as a part of that pay. The inferior staff have fixed their monthly expenditure on the basis of this pay and have become accustomed to a certain standard of living. While efforts are being made everywhere to raise the standard of living and specially in the lower strata, the reduction of this allowance will have just the opposite result specially during war times like these.

5. In conclusion, I am directed to point out that the small saving to Government through reduction in the allowances of inferior servants may result in depriving our sons and daughters of the little education they receive for there will be no money to spend on them and we leave it to the Government to decide whether its poor inferior servants have in any way deserved such harsh treatment after loyal service.

IV

**Office Memorandum from the Legislative Department
No. F. 56/402, dated the 28th March, 1940.**

The undersigned is directed to refer to the office memorandum from the Finance Department No. F. 1(37)—Ex. II/39, dated the 14th March, 1940. on the subject noted above.

2. The Legislative Department approves of the proposals made in the Office Memorandum under reference so far as they relate to the grant of house rent allowances at Delhi and Simla to both old and new entrants who were not provided with Government quarters. That Department agrees also to the grant of the proposed compensatory allowance at Simla to such of the inferior servants who move up as come within the category of new entrants. So far, however, as the compensatory for old entrants in lieu of the local allowance now admissible to them under Rule 24(b) of the Simla Allowance Code is concerned, the Legislative Department is constrained to observe that the proposal has evoked considerable discontent among the inferior staff concerned. A memorial which has been submitted in this connection by the inferior servants concerned in the Department is enclosed. The Legislative Department is of opinion that their case is deserving of sympathetic consideration, especially in view of the increased cost of living brought about by the war and of consequent cry from low paid staff for relief in the shape of a war allowance; and the undersigned is to recommend that the local allowance which these men are now in receipt of should be continued as a special case.

**Memorial dated the 20th March, 1940, from the inferior servants
of the Legislative Department.**

We understand that the Finance Department have issued an official memorandum to the various departments of the Government of India inviting their views on the rate of compensatory allowance proposed to be given to the old entrants of the inferior staff in place of the existing local allowance. We request that while giving views of the Departments in the matter, the following points may kindly be borne in mind and a favourable recommendation made to Government.

2. The proposals of the Finance Department make a drastic cut in the local allowance which is being drawn at present for the last 30 years or so. As is well known, the prices of all the necessities have gone up considerably as a result of the war. A loss of Re. 1-4-0 to Rs. 2-8-0 would be a severe blow to our already depleted finances within which we find it extremely difficult to make our both ends meet.

3. The main argument for this drastic cut, it appears from the Finance Department Office Memo., is the stoppage of the Simla move. We venture to say that the stoppage of the move has in no way helped us financially and Delhi being an equally expensive place, rather more expensive in certain respects, we are in no way better off than before. The reduction has presumably been proposed on the ground that it will no longer be necessary for us to break one establishment here and another in Simla in the course of the same year and as such it is only fair that at least a portion of the local allowance should be cut down. We would like to point out in this connection that we poor inferior servants cannot afford to have any establishment worth the name and as such the breaking or opening means practically no expense to us. The proposed cut will, therefore, touch heavily upon our poor pockets and we will have to curtail our bare necessities to the point of starvation.

4. As has been stated above, the local allowance is being drawn for the last 30 years or so in addition to our pay. As such, we have become so familiar to it that we consider it as a part of our pay. We have fixed our monthly expenditure on the basis of this pay and become accustomed to a certain standard of living. While efforts are being made everywhere to raise the standard of living and specially in the lower strata, the reduction of the allowance will have just the opposite result.

5. Those inferior servants who will stay permanently in Delhi will be losing Rs. 9 per year, which they are getting at the rate of Rs. 1-8-0 per month in Simla. It is very desirable that it should be suggested to Finance Department that they should consider this point and give some compensation to the new entrants also who will stay all the year round in Delhi.

6. In the end we pray that our requests be given a sympathetic consideration and favourable suggestions made to the Finance Department.

V

Office Memorandum from the Department of Education, Health and Lands, No. F. 27-3/40-G, dated the 29th March, 1940.

The undersigned is directed to refer to the Finance Department Office Memorandum No. F. 1 (37)—Ex. II/39, dated the 14th

March, 1940, and to offer the following remarks on the proposals contained therein :—

- (i) This Department agrees with the proposal of the Finance Department so far as new entrants are concerned.
- (ii) As regards old entrants this Department considers that the saving due to the proposed reduction in compensatory allowances to be drawn in Delhi by person not moving to Simla would hardly be commensurate with the great dissatisfaction which would be caused. It is suggested, therefore, that the personal compensatory allowance of these persons and of others during Delhi season should, subject to what is stated in (iii) below, be fixed at Rs. 2/- to Rs. 3/8/- according to a graduated scale.
- (iii) It is also considered that the old entrants of certain attached offices, not entitled to any compensatory allowance in Simla should get compensatory allowance in Delhi at two-thirds the rate admissible to others; the Delhi season being 8 months in the year.

2. It is presumed that the concessions will also be applicable to the inferior servants employed in the Imperial Secretariat Library which was permanently located in Delhi after it moved down from Simla in 1936.

VI

Office Memorandum from the Legislative Assembly Department, No. 647/40-E, dated the 28th March, 1940.

With reference to the Office Memorandum No. F-1 (37)—Ex. II/39, dated the 14th March, 1940, from the Finance Department, the undersigned is directed to state that consequent on the permanent location of the Legislation Assembly Department in Delhi, the proposed allowances in Simla do not affect the inferior servants of the Legislation Assembly Department.

2. As regards the proposal to the grant of a personal compensatory allowance at a flat rate of Rs. 2/- per mensem for all classes of old entrants of inferior servants, the undersigned is to state that the inferior servants who have been enjoying the local allowance ever since they were employed will be very hard hit specially those who are drawing salary of Rs. 17 and upwards if they are to forego about half of the existing allowance. The existing allowance was sanctioned, it is believed, on account of the high cost of living in Simla. If so, the cost of living which at present appears to be practically the same as in Simla, does not appear

to warrant a reduction in the allowance so drastic as has been proposed. The Legislative Assembly Department therefore suggest that the proposed personal compensatory allowance in addition to the house rent, when no free quarters are allotted, may be fixed as noted below :—

OLD ENTRANTS

- | | |
|---|------------|
| (1) Inferior servants drawing Rs. 14 but less than Rs. 17 per mensem | Rs. 3 p.m. |
| (2) Inferior servants drawing Rs. 17 and upwards | Rs. 4 p.m. |

NEW ENTRANTS

- | | |
|--|------------|
| (3) Inferior servants appointed upto 30th September | Re. 1 p.m. |
|--|------------|

VII

Office Memorandum from the Defence Department, No. 39294—1 D. 3, dated the 29th March, 1940.

With reference to Finance Department Office Memorandum No. F-1 (37)—Ex. II/39, dated the 14th March, 1940, the undersigned is directed to say that whatever may have been the considerations which originally led to the grant of these allowances, in practice the expenses of inferior servants do not appreciably vary whether they live at Simla or Delhi. The allowances are in fact regarded as an integral part of their salaries. These salaries are low and cover little more than bare necessities of life. There have for long been periodical representations from almost all political bodies to the effect that they are too low and should be raised; and in the provinces under autonomy attempts have in some cases been made to increase the pay of their low paid servants. At a time when prices are rising and when reports are received of labour agitation for increased wages owing to increased cost of living, it would surely be unwise in the extreme for the Government of India to attempt to carry out what in effect would be a reduction in wages. This Department has enquired into the normal monthly budget of their inferior servants and has come to the conclusion that the possibility of reduction without hardship is negligible; that if the proposals under reference are carried out, serious and justifiable discontent will result; and that this discontent will take shape in political representation to which there will be no effective answer.

The undersigned is, therefore, to urge very strongly that all questions of the reduction of these allowances should be held in abeyance at least until after the war.

VIII

Office Memorandum from the Department of Commerce, No. 8-E(6)/40, dated the 1st April, 1940.

The undersigned is directed to refer to the Finance Department Office Memorandum No. F.1(37)—Ex. II/39, dated the 14th March, 1940, and to make the following observations.

2. The Commerce Department do not wish to contest Finance Department's view that now that the majority of the inferior staff will be stationed at Delhi the original justification for the grant to them of compensatory allowances while at Delhi has disappeared. It appears to Commerce Department, however that this is not the only relevant consideration to be taken into account in deciding whether these allowances should be reduced or withdrawn. The position of the inferior staff can be distinguished from that of other servants of Government, and it would in Commerce Department's view be most unfortunate if a body of men on such low rates of pay were to be involved in financial loss as a result of the decision regarding Simla Exodus. Though initially granted in view of the seasonal migration between Delhi and Simla, the compensatory allowances have come to be regarded as part of the normal emoluments of these men, and there appears to be considerable force in their contention that to those required to stay at Delhi throughout the year the abolition of this move will mean little or no saving in expenditure. Moreover, on an examination of the family budgets of some of these men Commerce Department are convinced that any reduction in their emoluments particularly at a time when a rise in prices and consequently in the cost of living is to be anticipated, will cause them real and acute distress. Commerce Department would, therefore, strongly urge that any readjustment of the scales of compensatory allowances should secure that all members of the inferior staff, including those having permanently to reside in Delhi, should draw the same aggregate amount by way of such allowances during a year as they do at present.

IX

Office Memorandum from the Department of Communications No. 12—G./26-40, dated the 1st April, 1940.

With reference to the Finance Department Office Memorandum No. F. 1 (37)—Ex. II/39, dated the 14th March, 1940, the undersigned is directed to say that in the opinion of this Department, it would be inopportune to withdraw or to effect any reduction in these allowances at present. The prices of commodities have risen due to the war, and there is nothing to indicate that the present rates will not be exceeded. The with-

drawal of even the small amounts proposed in the Memorandum referred to above, would make a great difference in the household economy of these very low paid Government servants. This Department, therefore, recommends that consideration of withdrawing or reducing these allowances be postponed till after the war.

X

Office Memorandum from the Secretariat of the Governor-General (Public), No. 25/18/40—G.G. (A), dated the 1st April, 1940.

The undersigned is directed to refer to the Office Memorandum from the Finance Department, No. F.1(37)—Ex. II/39, dated the 14th March, 1940, regarding the proposed curtailment of allowances admissible to inferior servants consequent on the Simla Exodus decision. This Secretariat has no comments to offer on the proposed rates of house rent allowance to the inferior servants.

2. There is no doubt that technically there is a case for the reduction of the compensatory allowance. But this Secretariat does not think the present time to be opportune for the reduction of the allowance in view of the increase in the cost of living and the fact that the inferior servants have adapted themselves to their existing total emoluments and should not be subjected to a reduction of pay when living is expensive, unless some other kind of compensatory allowance is granted simultaneously.

3. As regards new entrants, they do not get any compensatory allowance when they are at Delhi. The Finance Department appear to have admitted the principle that all the inferior servants whether old or new entrants should be treated alike in respect of the grant of allowances. It is recommended that a compensatory allowance of Rs. 2 per mensem may be sanctioned for the new entrants also at Delhi.

XI

Office Memorandum from the Political Department, No. D.524—C.O./40 dated 1st April, 1940.

The undersigned is directed to refer to the Office Memorandum from the Government of India in the Finance Department No. F.1(37)—Ex. II/39, dated the 14th March, 1940, in which it is proposed to reduce the allowances hitherto enjoyed by the inferior servants employed in the Secretariat and attached offices consequent on the headquarters of the Central Government being located at Delhi.

It is observed that in addition to the proposed reduction of the house rent allowance in Simla for new entrants from Rs. 3 to Rs. 2 per mensem, there is a marked reduction in the proposed compensatory allowance in the case of old entrants who remain in Delhi while old entrants who go to Simla will get more than they got previously. This seems unfair to those who have to remain in Delhi throughout the year for whom the cost of living will not be any cheaper than in past years. It is well known that a large number of inferior staff has been recruited from the hills and they will be particularly hit by being required to stay in the plains. A reduction of their allowances in addition would create serious dissatisfaction and distress among them, particularly at a time when the marked rise in the cost of living since the outbreak of war has compelled employers of labour all over India to increase the salaries of their lower-paid employees. It hardly seems that Government of India could equitably choose this moment to impose a cut on the emoluments of their lowest-paid employees.

3. Furthermore, the payment of compensatory allowance in the past both in Simla and Delhi would seem to indicate that the allowance was not given solely or even mainly on account of the annual move. If this view is correct, the argument that the allowances should cease with the curtailment of the move to Simla loses its force.

4. For these reasons, the Political Department consider it inequitable to reduce the allowances which have hitherto been drawn for many years unless some other form of compensatory allowance is given to the inferior staff to enable them to meet the extra cost of living during the period of the war. They, therefore, strongly recommend that the existing rates of allowances admissible to inferior servants should continue unchanged at least for the duration of the war. The Crown Finance Officer concurs in the views expressed in this Memorandum.

XI

Office Memorandum from the Railway Department (Railway Board) No. 40-C-261/1, dated the 2nd April, 1940.

With reference to Finance Department Office Memorandum No. F. 1 (37)—Ex. II/39, dated the 14th March, 1940, the undersigned is directed to state that the Railway Board generally agreed with the proposals contained therein in so far as the Delhi and Simla house rent allowances are concerned. As regards compensatory allowances, they, however, feel that in view of present conditions, any reduction in existing rates is sure to cause hardship to the low-paid inferior servants. They, therefore,

suggest that the question of reduction of local allowances admissible to the old entrants may be deferred till conditions change and that inferior servants whether migratory or non-migratory may for the present be allowed to draw the local allowance admissible under Rule 24 (b) of the Simla Allowance Code.

As regards the new entrants who will move up to Simla, the Railway Board agree that they may be allowed to draw compensatory allowance as proposed in the Office Memorandum under reference.

XIII

Office Memorandum from the Department of Labour, No. G-202, dated the 2nd April 1940.

With reference to the Office Memorandum from the Finance Department No. F.I (37)—Ex. II/39, dated the 14th March, 1940, the undersigned is directed to say that the Department of Labour agrees to the allowances proposed to be granted to the inferior servants falling under the category of new entrants.

So far as old incumbents are concerned the proposed allowances involve a substantial reduction in the allowances hitherto drawn by them both in the case of migratory and non-migratory staff.

This reduction is due to the substitution of the present local allowance of Rs. 3-4-0 to Rs. 4-8-0 per mensem by compensatory allowances. The local allowance, though a compensatory allowance is payable throughout the year both at Simla and Delhi. It has been drawn for a very long time and has come to be regarded as part of pay. Further most of the men being senior in service are attached to officers and must be of good presence. Their pay being rather low any reduction in their allowances will put them under an added disability. No change has been proposed in the house rent allowances at present admissible to them in Delhi and Simla and the Department of Labour recommend that no reduction should be made in the local allowance now admissible to old incumbents.

2. The Controller of Printing and Stationery has suggested that the allowances now proposed to be granted to inferior servants affected by the exodus orders of 1938 and 1939 should also be extended with effect from 1.4.40 to the inferior staff of his office when move to Simla was stopped by the orders of 1927 and 1931.

**ANSWER TO S.A.E. QUESTION PAPER
JANUARY 1955**

I. PRECIS

Subject :—Allowances admissible to inferior servants employed in the Secretariat and attached offices.

Consequent on the decision to stop the annual move to Simla, the Government of India reviewed the house rent and compensatory allowances admissible to several categories of inferior servants in Simla and Delhi. They considered that there was no longer any justification for the grant of these allowances as the headquarters of the offices had been fixed at Delhi and the seasonal migration was discontinued. They felt, however, that a complete withdrawal of the house rent allowance of Re. 1-8-0 per mensem in the case of all inferior servants, and the local allowance drawn throughout the year by those employed in the Secretariat and a few attached offices and during the winter season only by those employed in other attached offices, ranging from Rs. 2-8-0 to Rs. 4-8-0 per mensem in the different pay ranges, might cause a certain amount of hardship to the low paid employees. It was, therefore, proposed to sanction in lieu of the then existing allowances, the following concessions with effect from 1st April, 1940, in the case of inferior servants employed in offices that were permanently located in Delhi during 1938 and from 1-5-1940 to those employed in offices affected by the 'Exodus orders of 1939'.

(i) House rent allowance at Rs. 1-8-0 per mensem to all categories of inferior servants not provided with Government quarters in Delhi.

(ii) Personal compensatory allowance to old entrants at Rs. 2-0-0 per mensem in the case of those who had drawn it already throughout the year and at Re. 1-0-0 per mensem to those who had been drawing it for the winter season only.

(iii) In the case of inferior servants who would still continue to move up to Simla during summer, a house rent allowance at Rs. 2-0-0 per mensem for such of them as were not provided with Government quarters at Simla, and an additional compensatory allowance at Rs. 3-0-0 upto a pay of Rs. 16-0-0, at Rs. 3-8-0 per mensem for those drawing pay from Rs. 17-0-0 to 19-0-0 and at Rs. 4-0-0 per mensem for those drawing a pay of Rs. 20-0-0 and above. In their Office Memorandum No. F. 1 (37) Ex. II/39 dated 14-3-1940, the Finance Department invited

the comments of other departments of the Government of India and service associations on the above proposals to reach them before 1-4-1940 to enable them to issue final orders expeditiously.

The External Affairs Department had no comments on the proposals. The Record Sorters and Duftris Association represented strongly against any reduction in the emoluments of the inferior servants on account of the then existing high cost and low standard of living. While approving the proposal regarding house rent allowance, the Legislative Department observed that a reduction in the compensatory allowance would evoke considerable discontent among the inferior staff. The Department of Education, Health and Lands agreed to the proposal as far as new entrants were concerned. As regards reduction of the compensatory allowance drawn by old entrants, they expressed the views that the saving would be hardly commensurate with the great dissatisfaction which would be caused. While stating that the proposals did not affect them the Legislative Assembly Department stated that the inferior servants enjoying the local allowance ever since they were employed, especially those drawing Rs. 17 and upwards would be hard hit as they would have to forego about half the allowances they were drawing. They were of the view the prevalent cost of living was much the same as in Simla for which the allowance was originally sanctioned and therefore suggested that in addition to the house rent allowance, the personal compensatory allowance might be fixed for old entrants at Rs. 3-0-0 per mensem for those drawing Rs. 14-0-0 but less than Rs. 17-0-0 and at Rs. 4-0-0 per mensem for those drawing Rs. 17 and upwards and for new entrants appointed upto 30th September at Re. 1-0-0 per mensem. The Defence and Commerce, Communication, Political, Railway and Labour Departments were not also in favour of the proposed reduction on the ground that the cost of living was high and it would cause distress to the low-paid staff. The Secretariat of the Governor-General (Public) did not consider it opportune to reduce the allowances and recommended a compensatory allowance of Rs. 2-0-0 per mensem to new entrants employed at Delhi. The departments consulted were not in favour of the reduction of the compensatory allowance, while they supported the proposal for the grant of house rent allowance.

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II DRAFT.

GOVERNMENT OF INDIA

Finance Department.

New Delhi,

Dated.....19

OFFICE MEMORANDUM

Subject: Allowances admissible to inferior servants employed in the Secretariat and attached offices.

Consequent on the Simla Exodus decision, the permanent headquarters of several offices have been fixed at Delhi and the migration between Simla and Delhi on account of which house rent and compensatory allowances were granted to inferior servants, ceases to exist. It has, therefore, been considered necessary to review these allowances. There is no justification at present for the continued grant of these allowances. Consequently, all inferior servants will lose the house rent allowance of Re. 1-8-0 each per mensem and the old entrants will have also to forego the local allowances. In this department Office Memorandum No. F.1 (37)—Ex. II/39 dated 14-3-40, the comments of the Departments of the Government of India were invited on the proposals to grant the allowances on a reduced scale as their complete withdrawal may cause hardship to the low-paid staff.

2. The replies received have been carefully considered. It has been generally represented that the present high cost and low standard of living of the inferior staff do not warrant any considerable reduction of these allowances although technically there is no justification for their continuance. It has also been urged that the allowances are being drawn by the staff for several years past as part of their total emoluments and it would be difficult for them to readjust their expenditure in the event of a drastic reduction. In view of these considerations and in modification of all previous orders on the subject, the Finance Department are disposed to sanction, as a very special case the following concessions :

(1) House rent allowance at the existing rate of Re. 1-8-0 per month to both old and new entrants, who are not provided with government quarters at Delhi,

(2) A personal compensatory allowance on the following scale—

(a) Old entrants :

(i) Inferior servants drawing

Rs. 14-0-0 but less than

Rs. 17-0-0 per month ... Rs. 3-0-0 per month

(ii) Inferior servants drawing

Rs. 17 and upwards ... Rs. 4-0-0 per month

(b) New entrants :

Inferior servants appointed

upto 30th September ... Re. 1-0-0 per month

These concessions will be granted with effect from 1-4-1940 to inferior servants employed in offices that were permanently located in Delhi during 1938 and from 1-5-40 to those employed in the offices affected by the exodus orders of 1939.

3. Inferior servants who continue to move upto Simla during summer will be paid the allowances at the following rates :

(i) House rent allowance to those not provided with Government quarters in Simla ... Rs. 2-0-0 per month

(ii) Compensatory allowance—

<i>Pay</i>	<i>Allowance</i>
Upto Rs. 16-0-0	... Rs. 3-0-0 per month
Rs. 17-0-0 to 19-0-0	... Rs. 3-8-0 per month
Rs. 20-0-0 and above	... Rs. 4-0-0 per month

(Sd.).....

*Under Secretary to Government
of Government of India*

To all Departments of Government
of India.

S. A. E.

November 1955

*Time allowed—3 hours.]**[Maximum marks—90]**Marks:*

- I. Prepare a precis of the Memoranda and letters marked I to XX
- II. In view of the conflicting considerations urged for and against the proposals, the Ministry of Home Affairs decided not to pursue the matter further. Draft a self-contained memorandum for communication to all Ministries, Chief Commissioners and the Public Service Commission.

...

60

I

No. F. 7—2—50 Ests., Government of India, (Ministry of Home Affairs) New Delhi-2, the 13th July 1951.

OFFICE MEMORANDUM

Subject :—Proposal to prescribe “ fines ” as a recognised form of penalty.

The Government of India have had under their consideration for sometime past whether “ fines should not be added to the list of penalties given in Rule 49 of the Civil Services (Classification, Control and Appeal) Rules in so far at least as Government servants of subordinate ranks are concerned. The institution of a system of fines appears to be particularly called for in present day conditions when discipline in Government offices is at a low ebb. “ Fines ” is a very convenient form of penalty and, if used judiciously, sparingly and under proper safeguards, it could be used to great advantage and with really salutary results. Petty acts of misdemeanour and indiscipline (e.g., habitual late attendance, malingering, incivility, slovenly dress, etc.) are becoming alarmingly frequent these days among the lower strata of Government employees. Mere reprimands usually go unheeded, while the elaborate procedure which has to be gone through in cases of more severe penalties deters authorities from having recourse to such penalties. The result is that either the offender goes scot-free or he is punished too heavily. It is in cases like this that the penalty of fines will come in handy. It is a light punishment but it seldom fails in its effect and is readily appreciated.

2. If the principle of adding fines to the list of penalties is accepted, the further questions for consideration will be, should the circumstances in which fines may be imposed be prescribed by rule, what should be the procedure for the funding and disposal of the amounts realised by way of fines, etc., etc? Guidance in this respect is to be drawn from Section 8 of the Payment of Wages Act, 1936 and the rules relating to the Railway Staff Benefit Fund. This Ministry's tentative proposals in this behalf are as follows :—

(i) The penalty of fine shall not be imposed on any Government servant until he has been given an adequate opportunity of showing cause against it.

(ii) The circumstances in which fines may be imposed as a penalty need not be specified in the rules. As in the case of other penalties, the penalty of fine should also be imposed for "good and sufficient reasons."

(iii) The total amount of fine which may be imposed on a Government servant shall not exceed an amount equal to one-twentieth of the pay of the Government servant concerned or Rs. 5, whichever is less.

(iv) Each office will maintain a register (in standard form to be devised in due course) showing all fines imposed and realised and the manner in which they were disposed of.

(v) A Benefit Fund consisting of all moneys realised by way of fines shall be maintained for each Ministry and its Attached and Subordinate offices separately. The moneys in the Fund shall be applied only to purposes beneficial to the class, as a whole of Government employees, who are subject to this penalty.

(vi) The management of the Fund shall vest in a committee to be constituted for each office separately, having a "fineable" establishment of 100 or over. As regards small offices, no committee need be constituted. All fines levied by such offices on their employees should be credited directly to the general revenues.

(vii) The committee in respect of each office shall consist of the head of the office, another senior officer and one or two representatives of the staff.

(viii) The head of the office shall make such arrangements as may be necessary for keeping the accounts of the Fund. The audit of the Fund shall be carried out in such manner as the Ministry concerned may direct.

(ix) The head of the office shall submit annually a report to the Ministry concerned on the working of the Fund during the preceding financial year,

(x) Government servants who are governed by the Payment of Wages Act, 1936, will continue to be governed by the provisions of that Act in regard to the punishment of fine.

3. The suggestions above are only tentative and only intended to form a basis of examination. This Ministry will be grateful for the very early comments of the Ministry of Finance, etc., on the principle of the proposal and on the detailed suggestions connected therewith.

(Signed) C. B. G.

Under-Secretary to the Government of India.

To all Ministries of the Government of India.

No. F. 7/2/50-Ests, New Delhi dated 13th July, 1951.

Copy also forwarded to the Union Public Service Commission and the Chief Commissioners of all Part "C" States with the request that any comments they may have may kindly be furnished to this Ministry very urgently.

(Signed) C. B. G.

Under Secretary to the Government of India.

II

Letter No. A-121/51 dated 21st July 1951, from the Chief Commissioner for Kutch.

I have the honour to refer to your Office Memorandum No. F. 7/2/50 Ests. dated 13-7-1951, and to say that I agree with the proposals to add "fines" to the list of penalties given in Rule 49 of Civil Services (Classification, Control and Appeal) Rules. I also agree to the detailed suggestions regarding funding and disposal, etc., of the amounts realised by way of fine.

III

Letter No. 10517/M5 (7,-54/57, dated 24-7-1951 from the Chief Commissioner, Bhopal.

I have the honour to refer to the Government of India Ministry of Home Affairs' endorsement No. F. 7/2/50-Ests. dated 13-7-51 and to state that this Administration fully endorses the proposal to prescribe "fines" as a recognised form of penalty. Further action will be taken when the Government of India reaches a final decision.

IV

Letter No. Ests. (Admn.)-19/51 dated the 25th July, 1951 from the Chief Commissioner, Bilaspur (Simla Hills).

I have the honour to say that we agree, in principle, to the proposed prescription of fines' as a recognised form of penalty.

V

Government of India Ministry of Finance (Defence) Office Memorandum No. F. 11/151, dated 28th July, 1951.

With reference to the Ministry of Home Affairs Office Memorandum No. F. 7/2/50-Ests. dated the 13th July, 1951, the

undersigned is directed to say that this division agrees with the proposal contained in the Ministry of Home Affairs Office Memorandum under reference.

VI

Letter No. A 107-71/52 dated 3rd August, 1951 from the Chief Commissioner, Himachal Pradesh.

Subject :—Proposal to prescribe fines as a recognised form of penalty.

With reference to the Government of India Ministry of Home Affairs Memorandum No. 7/2/50-Ests., dated the 13th July 1951, on the subject cited above, I have the honour to say that this administration agrees to the proposal to include "fines" as a recognised form of penalty in addition to those prescribed in Rule 49 of the Classification, Control and Appeal Rules, subject to the condition that the penalty should not be imposed unless the Government servant concerned has been given an adequate opportunity to show cause against it; the total amount of fine which may be imposed in a month shall not exceed an amount equal to one-twentieth of the pay of the Government servant concerned or Rs. 5/- whichever is less; and that the moneys thus collected by way of fines are expended for the benefit of employees of the office concerned.

VII

Letter No. 2011-II/F. 90-51 dated 2nd August 1951, from the Chief Secretary to Government, Vindhya Pradesh, Rewa.

I am directed to refer to your Office Memorandum No. 1 F. 7/2/50 Ests., dated the 13th July, 1951 and to say that this Administration generally agrees with the suggestions made therein and has no comments to offer.

VIII

Government of India Ministry of Education, Memorandum No. D. 4821/51-A. 4 dated 10th August, 1951.

The undersigned is directed to refer to the Office Memorandum No. F. 7/2/50 Ests. dated the 13th July 1951 from the Ministry of Home Affairs and to say that this Ministry generally agree to the proposal contained therein.

IX

Letter No. 5-A. Admn. (25)/51 dated the 21st August, 1951, from the Under Secretary, Ministry of Rehabilitation.

The undersigned is directed to refer to the Office Memorandum from the Ministry of Home Affairs No. F. 7/2/50 Ests.

dated 13th July, 1951 and to say that the Ministry of Rehabilitation are in favour of the proposal to prescribe "fines" as a recognised form of penalty in the case of Government servants of subordinate ranks. This Ministry are also in general agreement with the tentative proposal made in paragraph 2 of the Office Memorandum referred to above.

X

Letter No. F. 146/51-G. A. dated the 27th August, 1951 from the Ministry of Law.

The Ministry of Law agrees, in principle, to the proposal that fines should be added to the list of penalties given in Rule 49 of the Civil Services (Classification, Control and Appeal) Rules in so far as Government servants of subordinate ranks are concerned. If the penalty of fine is to be deterrent and effective, the procedure to be laid down for the imposition of fine should be simple, swift and summary.

A delinquent should on the spot be orally asked to show cause; the cause itself need not be shown in writing; no time should be allowed for showing such cause, and there should be no right of appeal. As a safeguard against the arbitrariness of officers, however, the order imposing fine should be in writing and should briefly state the dereliction alleged, cause shown, the final finding and the penalty: and orders passed by officers of the rank of Deputy Secretary and below should take effect only after they have been placed before and confirmed by the Head of the Department or other appropriate appellate authority. Orders passed by officers of the rank of Joint Secretary and above should be final.

This Ministry also agrees to the suggestions regarding the total amount of fine which may be imposed on a Government servant in a month, the maintenance of a register of fines, the Benefit Fund, the management of the Fund, etc., etc.,

XI

Letter No. D 5522—A.DI/51 dated 11-9-51, from the Ministry of External Affairs.

Reference Ministry of Home Affairs Office Memorandum No. F. 7/2/50, dated 13-7-1951.

The proposal contained in the above cited Office Memorandum was carefully considered in this Ministry. This Ministry recommends that "fines" should be included in the list of penalties laid down in Rule 49 of the Civil Services (Classification, Control and Appeal) Rules but its application should be restricted to

Class IV servants only. We do not consider "fines" a suitable punishment for the Government servants of other classes.

In our opinion, the maximum limit of one-twentieth of a month's pay suggested in the proposal by the Ministry of Home Affairs is inadequate. The pay of Class IV servants is between Rs. 30 and Rs. 40 per month only, and one-twentieth of it will come to Re. 1-8-0 or Rs. 2 at the most. Such a fine will not have the desired effect to act as a corrective or deterrent. We consider that the maximum amount to be prescribed should be one-quarter of pay, or Rs. 7-8-0, whichever is less, for a Class IV Government servant.

This Ministry would like to emphasise that in case the proposal is finally approved, it would be necessary to prescribe a precise procedure for imposing this punishment. It would be advisable to make such procedure either too cumbersome or too summary. A compromise between the two will meet all requirements.

This Ministry further suggests that the officer who is competent to award the punishment should also be empowered to remit the fine on subsequent improvement or exceptionally good work on the part of the delinquent.

The suggestion contained in para 2 of the Ministry of Home Affairs Office Memorandum regarding the creation of a benefit fund from the proceeds of the fines will not be conveniently practicable, except in a large industrial establishment. The amount of fines realised in an office will usually be so small as not to be worth the trouble of maintaining separate accounts on the lines contemplated. The fines imposed should be credited to Government.

XII

Letter No. D. 3486 Admn./51 dated 27th September, 1951, from the Ministry of States.

The Ministry of States has not experienced any administrative difficulty in maintaining discipline in the subordinate staff in the absence of a system of "fines". Nor is it felt that the introduction of such a system will improve the discipline and conduct of such persons. The general opinion in this Ministry is that the system is (i) unnecessary if the existing Temporary Services Rules are fully and effectively applied for weeding out unsatisfactory persons in the early stages of service and (ii) the system will be ineffective for the few incorrigibles who have not been weeded out in the earlier stages. It does not therefore seem worthwhile to introduce such a system for a small minority, who would deserve the full weight of the penalties already prescribed in the rules. In these circumstances, the Ministry of States

are not in favour of the introduction of a system of fines for secretariat staff.

XIII

Letter No. F. 45 (73)/51 Admn. dated the 4th October, 1951, from the Ministry of Natural Resources and Scientific Research.

With reference to the Ministry of Home Affairs Office Memorandum No. F. 7/2/50 Ests. dated the 13-7-1951, the undersigned is directed to say that his Ministry does not favour the proposal, because while in certain cases the imposition of a fine will have a salutary effect, the resultant effect of the economy of a family would be that it would reduce the standard of living which is already very low in these days of high prices and allows for only marginal necessities. If, however, the Government of India, finally decide that the imposition of fines is to be given effect to, then a detailed procedure for the imposition of such fines should be laid down, and it may be clearly indicated that a fine will not be imposed unless it has been approved of by an officer of a status not lower than that of a Joint Secretary.

XIV

Letter No. 49 (39)—51/7612/D-Est. 1, dated 19th October, 1951 from the Defence Ministry.

The undersigned is directed to refer to the Ministry of Home Affairs Office Memorandum No. F. 7/2/50 Ests. dated 13th July, 1951 and to offer comments as follows :—

(i) The Ministry of Defence welcome the proposal so far as Class III and Class IV personnel are concerned.

(ii) Among Class III service the penalty should not apply, as a matter of course, to every appointment in that class. For example, it is suggested that the proposed penalty should not apply to certain specified posts in Class III e.g., Civilian Assistant Security Officers in the Ministry of Defence, which are gazetted posts.

(iii) The procedure to be followed should not be too elaborate but should be as simple as possible.

(iv) This form of punishment should come next below censure in the list of punishments.

(v) It is not considered desirable to create a benefit fund out of the moneys received by way of fines under the proposed measure. The primary object of the scheme is to prevent indiscipline and not create a welfare fund for the employees. Besides, the large amount of work involved in the administration, etc., of the fund.

would not be justified by the comparatively small sum expected to be realised in fines. It is, therefore, suggested that the amount realised by way of fines, as proposed should be credited to Government revenues.

XV

Office Memorandum No. F. 18-43/51-Admn-Co-ord, dated the 21st August, 1951, from the Ministry of Food and Agriculture.

The undersigned is directed to refer to the Ministry of Home Affairs Office Memorandum No. 7/2/50-Ests. dated the 13th July, 1951 and to say that this Ministry agrees that "fines" should be prescribed as an item of penalty, without sacrificing the essentialities of the existing procedure, in order to have an effective check on the increasing tendency of indiscipline and mis-demeanour on the part of Government servants of subordinate ranks. The machinery and disposal of the amount realised by way of fines as laid down in the Ministry of Home Affairs Office Memorandum under reference are also acceptable to this Ministry.

XVI

Letter No. F.3/32/51-S, dated 8th November, 1951, from the Secretary, Union Public Service Commission.

The Commission have carefully considered the proposal of the Government of India to introduce "fines" to the list of penalties given in Rule 49 of the Civil Services (Classification, Control and Appeal) Rules so far at least as Government servants of subordinate ranks are concerned. In this connection, I am to invite your attention to the Commission Office Memorandum No. F. 156/35-S dated 28th August, 1935 (copy enclosed) in which they have already expressed their views on the question of imposing "fines" as a penalty on inferior servants (Class IV).

The proposal now to impose the penalty on subordinate ranks of Government servants includes the Ministerial staff also. The Commission have examined the question in all its aspects. In their view, "fines" will not be an appropriate form of penalty to be imposed on the Ministerial staff in view of the nature of the penalty and the class of society to which such staff belong. I am to request that the final decision on the matter may be communicated to the Commission for information.

Enclosure :

Public Service Commission (India) Office Memorandum No. F. 156/35-S, dated 28th August, 1935.

With reference to the Office Memorandum from the Home Department No. F. 227/35 Ests. dated the 10th August, 1935, the undersigned is directed to say that the Public Service Commission

consider that if provision is made in the rules for inflicting fines as penalty on inferior servants, it will prove useful in those cases of delinquency and misbehaviour in which censure may not prove a sufficient corrective and in which other penalties awardable may be too severe. The Commission are, therefore, of the opinion that such a provision should be made subject to the conditions that no fine shall ordinarily be imposed for a first offence that the amount of the fine should be limited to Rs. 5 in each case and that this form of punishment should not be inflicted by any authority lower than that which at present has the power to order reduction, removal or dismissal.

XVII

Office Memorandum No. 4-G (114)/51 dated 14-11-51 from the Ministry of Transport.

The undersigned is directed to refer to the Ministry of Home Affairs Office Memorandum No. F. 7/2/50-Ests. dated 13th July, 1951 and to say that the Ministry of Transport agree in principle to the proposal to prescribe "fine" as a recognised form of penalty, but they suggest that the system of imposition of fines should be confined to Class IV servants only amongst whom acts of indiscipline and misdemeanour are quite common and also because it is considered an unsuitable form of punishment for higher categories of Government officers. To make it effective it should be kept outside the purview of the Civil Services (Classification, Control and Appeal) Rules, but an opportunity to explain should be given before a fine is imposed and an appeal should lie as in ordinary discipline cases.

The undersigned is to add that this Ministry is not in favour of the proposal to create a fund out of the proceeds of fines, as the fund is not likely to be substantial or worthwhile if the system of imposition of fines is not indiscriminately used.

XVIII

Office Memorandum from the Ministry of Communications No. 2-G (50)/51, dated 15th November, 1951.

The undersigned is directed to refer to the Office Memorandum No. F. 7/2/20-Ests., dated 13th July, 1951, from the Ministry of Home Affairs, and to say that this Ministry is opposed to the introduction of fines as a recognised form of penalty. While it is agreed that there is at present a certain amount of slovenliness and indiscipline amongst the lower grades of staff, this Ministry considers that this is only a passing phase and the introduction of a new penalty of "fines" will not improve the situation to any appreciable extent. No comments

are, therefore, being offered on the various proposal made in paragraph 2 of the Home Ministry's Office Memorandum.

XIX

Office Memorandum No. 49-Co-ord. (1)/51, dated 28th April, 1952 from the Ministry of Commerce and Industry.

The undersigned is directed to refer to the Ministry of Home Affairs Office Memorandum No. F. 7/2/50-Ests. dated 13th July, 1951, and to say that this Ministry is of the view that at this stage of awakening and growing self-consciousness among the educated people in the country, it will be a step in the wrong direction to prescribe "fines" as a regular form of penalty in the case of non-gazetted Government servants and that the present recognised forms of punishment would more effectively meet the requirements.

As regards Class IV servants, the principle to reintroduce "fines" as a form of penalty may appear retrograde, but as the Home Ministry have observed, if petty acts of indiscipline and misdemeanour are getting more frequent, the experiment may be tried as an antidote for a period of three years in the first instance. After that period the position may be reviewed and, if necessary, the proposed penalty may be continued further in the light of the experience gained in the meantime.

XX

Office Memorandum No. G.-27 (2)/53, dated 24th April, 1952, from the Ministry of Work of Housing and Supply.

The undersigned is directed to refer to O. M. No. F. 7/2/50-Ests. dated 13th July, 1951, from the Home Ministry and to state that this Ministry does not favour adding "fines" to the list of penalties already recognised. The real problem in the maintenance of discipline in Government offices is not so much the lack of suitable forms of punishment as the rather lengthy and involved procedure that has to be followed in conducting departmental proceedings and the scope for appeals and reviews. There is no indication in the Office Memorandum under reference that the procedure for imposing fines is likely to be shorter or swifter: the mere addition of another type of punishment, therefore, is not likely to remove the difficulties that controlling officers now have in maintaining and enforcing high standards of discipline. It is felt that if greater use were made of the power to withhold or postpone increments, the same object might be achieved.

ANSWER to S.A.E. NOVEMBER 1955

I. Precis

Subject :—Proposals to prescribe “Fines” as a reorganised form of penalty.

In order to check the growing indiscipline, petty acts of misdemeanour, late attendance, malingering and incivility among the lower strata of Government employees, the Government of India considered the addition of “Fines” to the list of penalties in Rule 49 of the Civil Services (Classification, Control and Appeal) Rules in so far as Government servants of the subordinate ranks other than these governed by the Payment of Wages Act, 1936, were concerned. They thought it to be a light punishment seldom failing in effect. They proposed that fine could be imposed only for good and sufficient reasons after giving adequate opportunity showing cause against it. It was also considered that the fine imposed should not exceed one-twentieth of the pay of the Government servant or Rs. 5-0-0 whichever was less, and that in the case of officers of fineable establishment of Rs. 100/- and over the amount collected should be properly accounted for and credited to a benefit fund for utilisation to the benefit of the employees of the class subject to the penalty under the management of a committee to be constituted for the purpose. In the case of small officers the fines could be straightaway credited to the general revenues. Government were of the view that the audit of the accounts relating to realisation and utilisation of the fines might be left to the discretion of the Ministry concerned and that each head of office should submit an annual report to the concerned administrative Ministry on the working of the fund during the previous financial year. Before taking a decision, the Government of India Ministry of Home Affairs communicated the above proposals to all Ministers, Chief Commissioners and the Union Public Service Commission in their Office Memorandum No. E. 7/2/50 Ests. dated 13-7-51 and invited their comments.

The replies received indicated that there was a divergence of opinion on the issues. All the Chief Commissioners and the Ministry of Education, Rehabilitation, Defence and Food and Agriculture were in favour of the proposals. The Defence Ministry, however, expressed the view that no fund should be created and that the realisation should be credited to general revenues. While agreeing in principle, the Ministry of Law suggested that the procedure for the imposition of fine should be simple, swift and summary. The Ministry of External Affairs were of the view that fine should be restricted to only Class IV servants and the maximum amount prescribed should be one-quarter of pay or Rs. 7/8 to have the desired effect, the officer competent to punish being also empowered to remit the fine on subse-

quent improvement and good work on the part of delinquent. As only small accounts could be expected to be realised, they were not in favour of maintaining separate accounts. The Ministry of States were totally against the proposals. In their view the proposals were unnecessary if unsatisfactory person were effectively weeded out in the early stages under the Temporary Service Rules. They thought that the system would be ineffective for the few incorrigibles, who escaped such weeding out. The Ministry of National Resources and Scientific Research were opposed to the proposal on account of its adverse effect on the economy of the family of low-paid staff in days of high prices. The Union Public Service Commission drew attention to their earlier letter dated 28-8-35 on the subject and stated that while fines could be imposed on the inferior servants by authorities competent to order reduction, removal, or dismissal, it would not be an appropriate form of penalty to be imposed on Ministerial staff. This view was supported by the Ministry of Transport, who desired that fine should be kept outside the purview of Civil Services (Classification, Control and Appeal) Rules although an appeal should be as in ordinary discipline cases. They were not in favour of creating any fund as the relations were not likely to be appreciable. The Ministries of Communications, Commerce and Industry and Works Housing and Supply were against the proposals on the ground that indiscipline was only a passing phase and that the existing penalties were sufficient to meet the situation.

DRAFT
No. F. 7-2-50 Est.
GOVERNMENT OF INDIA
Ministry of Home Affairs.
New Delhi-2
OFFICE MEMORANDUM

Subject: Proposals to prescribe "Fines" as a recognised form of penalty.

In their Memorandum of even no. dated 13-7-51, certain proposals were formulated to add 'fine' to the list of penalties given in Rule 49 of the Civil Service (Classification, Control and Appeal) Rules and the comments of the Ministries etc. were invited on these proposals. The replies received indicate that, while the proposals are generally acceptable, there is no need to give effect to them at present.

It has been suggested that the procedure for the imposition of fine should be simple, swift and summary and that the authority imposing the penalty should also be empowered to remit the fine on subsequent improvement and good work on the part of the delinquent. Some of the Ministries have verified that this form of penalty should be confined to Class IV employees alone, and that there is no justification for imposing it on Class III officials. It is considered that the realisation on account of fines cannot be expected to be considerable to warrant the creation of benefit fund and maintenance of separate accounts.

If unsatisfactory persons were effectively weeded out in the early stages under the Temporary Service Rules, there will be no need to add to the list of penalties already in force. Besides, the imposition of fine will have an adverse effect on the economy of the families of the low-paid employees in these days of high prices. Further, it is considered that the prevailing indiscipline is only a passing phrase and it is necessary to devise any new punishment if greater use were made of the power to withhold or postpone increments in order to gain the same object.

In the circumstances set out above, after careful consideration, it has been decided not to pursue the matter further.

(Sd.).....

Under Secretary.

To
Asst. Ministries of the Government of India.
No. F. 7-2-50 Estts
New Delhi-2, the.....19.....

Copy also forwarded to the Union Public Service Commission and the Chief Commissioners.

S. A. E.
January, 1956

Time allowed—3 hours]

[Full Marks—150

Marks

- I. Prepare a precis of the attached correspondence and Resolution of the Board of Revenue.

100

- II. Draft a brief Government Order [issued by the Secretary to Government, P. W. D.] stating the facts of the correspondence, and agreeing generally with the views expressed by the Chief Engineer and indicating that Government's legal experts have concurred in the above views.

50

Serial No. I.

Letter from the cultivators (ryots) of Raja, Komarayan and Poyyeri channels, Namakkal Taluk, Salem District, to the Chief Engineer (Irrigation) Madras, dated 24th November, 1952.

1. It was announced yesterday that water supply to the above channels will be closed completely for a period of ten days commencing from today (24th November, 1952). We understand that the above order is due to shortage of water in Mettur Reservoir and is made with a view to supply the Tanjore Delta.

2. We beg to submit that the order directing closure of water supply to the above channel contravenes our legal rights as higher riparian owners and as cultivators of the old Cauvery River delta. The above order is detrimental to the policy of the Government to grow the maximum amount of food in the Cauvery River Delta.

3. The above channels are supplied from river Cauvery at Jedarpalayam and they are the first channels taking off from the Cauvery. These channels were dug by Hindu kings several hundred years ago and were in existence when the British came into the country. Most of the channels lower down are of recent origin. The Mettur Dam itself was constructed recently and as such is not entitled to take water without supplying our needs. When the construction of the Mettur Dam was in contemplation,

the ryots of Raja and Komarapalayam channels apprehended that their legal rights might be adversely affected and made representations to Government. The ryots were assured of their full supply and that the construction of the dam would not affect their rights. As these old channels were dug by Hindu kings, and are being supplied with water perennially, they are entitled in law to their accustomed water supply. As these channels take off from the river at a point above all other channels, they are entitled in law to the accustomed supply in preference to the others.

4. When there is shortage of water in the river, the requirements of the channels, that are ancient and possessed of higher **riparian** rights, should be supplied first. The present cut in supply will result in loss of crops and we submit that the channels lower down, should not benefit at our expense.

5. From the point of view of growing maximum crops, the order closing supply of water to these channels will be highly detrimental. Further, the volume of water that may be consumed by given area commanded by these channels, will be far less what would be required in the Tanjore Delta, for a similar area. Our channels are high up the river, while water has to be taken about a hundred miles down the river, before lands in Tanjore district can be irrigated. Even if the monsoon completely fails resulting in no further supply to the Mettur Dam, the lands commanded by these channels can be supplied, so as to get the *Samba* (long term rice) harvest. The water let down from the Mettur Dam to produce electricity, is enough for our purposes. We submit that it is hazardous to stop our supply and allow our crops to die, for the purpose of sowing crops in areas where ultimately it may not be possible to supply enough water.

6. We submit, therefore, that it is beneficial and a great saving of water, if all the land in these "ayacuts" are supplied with their accustomed quota of water. In fact, as these channels run parallel to the Cauvery river, an appreciable volume of water drains back into the river.

7. We pray that the Chief Engineer be pleased to enquire into our legal rights and protect them. We pray for immediate orders rescinding the orders directing the closing of supply to these channels.

Serial No. II :

Letter from the Chief Engineer for Irrigation, Madras to Secretary to Government, P.W.D., dated 25th November 1952. No. 1819/52-B-59.

With reference to Government's reference to me No. 100099-J/52-1, dated 24th November, 1952, I am to state that I have received a similar petition and also a telegram today and have issued necessary orders—copy enclosed—to the Superintending Engineer.

2. It has been the practice in the past never to close the channels in question, but in view of the avoidance of sluices by the construction of the Jedarpalayam and other Bed Regulators we have to regulate discharges through the head sluice, on a *pro-rata* basis.

3. As the cultivation in the area in question and adjoining, is of the short-term variety of paddy and as the varieties are being grown, it has been felt in the past, that any attempt at complete closure of the head sluices will lead to difficulties.

The petitioners who interviewed me, are agreeable to a regulation of supply, so long as it is continuous. The orders issued by me are based on the condition prevailing for a considerable time.

(Enclosure)

Memorandum No. 1819/52-B-58, dated 24th November, 1952, from Chief Engineer, Irrigation, to the Superintending Engineer, Tanjore Circle, with copy to the Executive Engineer, Salem Division.

“Regulation of Salem and Tiruchirapalli channels should be done by regulating supplies, and not by complete closure. This may be observed in all regulations of these channels. It is hoped that they have not been closed now”.

Serial No. III

Letter dated Nil (but received on 2nd December 1952) from the ryots of Raja and Komarapalayam Channels, Namakkal Taluk, Salem Dist. to the Hon. Minister for Public Works, Madras.

“1. Owing to the lower level in the Mettur Dam, the Government have ordered the closure of the Raja and Komarapalayam Channels for a period of 5 days. We understand that with a view to help irrigate the Tanjore Delta lands, the Channels in Salem and Tiruchirapalli Districts are to be supplied by turns.

2. We submit that the order restricting supply to the above channels is opposed to the legal rights of the landowners and is not helpful in irrigating the maximum amount of paddy crops, with the water available in the Mettur Dam.

3. The Raja and Komarapalayam Channels are the first to take off from the Cauvery. They were dug by Hindu kings long before the advent of the British. When the Mettur Dam was constructed, water was regulated into the river, with a view to irrigate the Tanjore Delta. During the rainy season, and in periods when the rivers lower down to the Raja etc. channels were in floods, the supply from the Mettur Dam was very much reduced and as a result sufficient water was not available in the above two channels. As a result of past representations, Governments were pleased to recognise the rights of the Raja and Komarapalayam landowners for natural supply of water *vide* Memorandum N. 2565/D39/3/P.W. Irrigation, dated 22nd August 1939—copy enclosed.

4. From the point of view of saving the maximum amount of crops, with the available water supply at Mettur, the Raja etc. channels are entitled to adequate supply. As these channels are higher up the river as compared with Tanjore Delta, the volume of water required in the Raja etc. channels will be much less.

5. As the higher riparian owners and ryots in the ancient Cauvery area, we are entitled to priority, and it is only after supplying our needs that water can be taken down.

6. We are entitled to the natural flow at all times. There is no fear of our crops being lost at all, with the present volume of water let down from Mettur for hydro-electric purposes. We submit that it is not in the interest of maximum production of food to supply water to the Tanjore Delta, in the hope of getting a harvest there while sacrificing standing paddy crops which are certain to be harvested.

7. In the above circumstances, we pray that Government be pleased to order normal supply of water, to the two channels.

(Enclosure)

Memorandum No. 2565-D/39.3P.W.I, dated 22nd August 1939.

Irrigation—Raja etc. Channels—grievances of ryots—

Read the following papers:—

Memorials from ryots, dated 22nd January 1939.

Letter from Chief Engineer, dated 8th July 1939.

Memorandum

“The memorialists are informed that the Chief Engineer has already issued instructions to regulate the issues from the Mettur reservoir, so that either the natural flow in the river, or an issue of 6,500 cusecs is kept up during the scarcity period with a view

S. A. E., JANUARY 1956

to maintain the command in the Cauvery channels. No further action is called for. The construction of a Bed-regulator at Jedarpalayam is not feasible.

As regards the request that the stoppage, and letting in, of water in these channels should be advertised by beat of drums, it is considered that no useful purpose will be served by it, as the Local Revenue Officials take prompt action to restore water supply in the channels, whenever it goes down below requirements.

Serial No. IV:

Memorandum No. 100099-J/52-3 P. W. I. dated 12th December, 1952.

[Irrigation—Salem District—Raja, etc. channels—Protest against turn-system.]

Reference petitions from the ryots of the above Channels, dated 24th November, 1952, and nil.

Copies of the above petitions together with a copy of the Chief Engineer's report are forwarded to the Collector of Salem Dist. and he is requested to submit a very urgent report in the matter. He is also requested to comment on the statement of the petitioners that restriction of water-supply to the Raja, etc. channels, is opposed to their legal rights.

(Sd.) Asst. Secy. to Govt.

Serial No. V:

Letter from the Collector of Salem to the Secretary to Government, P. W. D., dated 23rd January, 1953, under his No. R.O.C. H/22174/52.

[Irrigation—Salem District—Raja, etc. Channels—Protest against turn-system.]

"The ryots owning lands under the Raja, etc. Channels have been agitating against the introduction of the turn-system by the P.W.D. authorities. The points raised in their petitions to the Hon. Minister and to the Chief Engineer (copies of which were furnished with the Government reference) are replied to, below.

2. The main contention of the ryots of the Salem Channels is that they were entitled to a perennial supply of water for their crops and that the present attempt of the P.W.D. to restrict the distribution of water is opposed to their legal rights. The Executive Engineer, River Conservancy Division, contends that the Raja Channel was only an excavation subsequent to the Cauvery river itself, and that the delta lands in the Tanjore District, forming the main cultivation area of the main river, have a prefer-

tial right for perennial irrigation. A reference to the Salem District Manual by H. L. Farm, Esq., goes to show that these channels were in existence even prior to 1883, when the Manual was compiled. In para. 2, at page 477 of the Manual, it is stated that the water in the Raja Channel was never less than 2 feet. The Mettur Dam came into existence only after 1934. Further the "Record of Rights" registers, prepared for each channel village, contain an "Irrigation Memoir", in their front pages, dealing with the nature of irrigation sources, on which the cultivation of the irrigated lands, depends. In these records, it is mentioned that there is water in these villages, throughout the year, and this goes to show that irrigation was continuous and un-interrupted.

3. I enclose the following records for reference and Government orders :—

- (a) Copy of this office letter, dated 10th October, 1952, to the Superintending Engineer, Tanjore Circle, dealing with the initial objections of the ryots.
- (b) Copy of this Office No. 22174/52, dated 25th November, 1952, to the Superintending Engineer, Tanjore Circle."

(Enclosures)

(i) Letter from the Collector of Salem, to the S. E., Tanjore Circle, dated 22nd November, 1952,

"I am enclosing a copy of a petition presented to me by the ryots of Raja and Komarapalayam channel villages. In my letter dated 10th October, 1952, addressed to you (copy enclosed for ready reference) I have dealt with the various aspects of the case...Para 3 of my letter gives the gist of my own opinion. While I agree that the arrangements proposed by the P.W.D., will not affect seriously the draw-off in the Raja channel headsluice, the possibility of the channel ryots' rights being affected at times, cannot be brushed aside, in view of the unsettled level at the Mettur Dam, followed by closure against irrigation. In this unsettled state of things, the introduction of the turn-system will be definitely *not* advantageous to the Raja, etc. channel ryots. It will amount to an interference with the time-honoured rights of the channel ryots and the possibility of civil litigation cannot be ruled out altogether. In their petition, the ryots have objected to the orders to close the channels for five days in turn. They contend that they have a right to perennial supply and that the present turn-system intended to protect the crops in the Tanjore District, would lead to the ruination of standing crops in the Salem channels. The District Manual shows that these channels were very long in existence and the then Collector of Salem had

maintained that the water in the Raja channel was never less than 2 feet. The Mettur Dam is of recent origin and I consider that any restriction on water supply in these channels, due to regulation of off-take from the dam, will be an interference with the ancient rights of the channel ryots. I submit that the petition deserves very careful consideration, before the turn-system is established or any other restrictive arrangement put into operation.

(ii) Letter dated 10th October, 1952, from the Collector of Salem to the Superintending Engineer, Tanjore Circle. No. ROC. 22174/52.

[Irrigation—major—shifting of head sluice above Jedarpalayam bed regulator].

“I consulted the Mirasdars (ryots) owning lands in the Raja and Komarapalayam channel, on 9th October, 1952, the Executive Engineer, River Conservancy Division, being present. The ryots definitely expressed themselves against any proposal (to shift the head sluice above Jedarpalayam) on the following grounds:—

- (a) that even now they have not been getting the assured supply of 250 cusecs, with the result that the land at the tail-end of the Raja, etc. Channels have to suffer.
- (b) that the Raja, etc. Channels have been getting from time immemorial, perennial supply, even at times of low water level in the river, as they are entitled to the entire springwater in the river above the regulator. The recent orders of the Executive Engineer, fixing a turn of $3\frac{1}{2}$ days in the week, is against their interests. If the proposal to shift the head-sluice above the regulator is allowed to materialise, their present monopoly of the low-flow (spring) water will be seriously interfered with.
- (c) The closure of the off-take from the Mettur reservoir, for non-hydro-electric purposes, has greatly reduced the flow in the river, below the dam, especially in dry periods. Further the installation of a large number of power-lifts between Mettur Dam and Jedarpalayam has grievously affected water-supply in the Raja, etc. Channels.
- (d) The natural formation of shoals in the river-bed, close to the bed-regulator results in the draw off, of all the available water, by other channels, which contingency is decidedly against the interests of the Raja, etc. Channel ayacut-dars.

2. As regards the first objection, the tail-end cultivators have been persistently complaining of inadequate supply and they attribute this fact, partly, to the large number of power-pumps installed at the higher reaches of these Channels to irrigate dry-lands, with the permission of the Executive Engineer, R. C. Division. [I have called for the remarks of the Executive Engineer and I understand that the matter is under consideration by the Chief Engineer (Irrigation)].

"As regards the second objection, it appears to be true that a turn-system was introduced, by closing the Raja Channel for $3\frac{1}{2}$ days per week, for the first time this year, with the approval of Government. This was because of general scarcity of water in Tanjore and Tiruchirapalli Districts. The ryots apprehend that the turn-system will be repeated in future and they will suffer. The ryots, however, were not able to produce, at the Conference, any record to show that they were entitled to an unrestricted supply throughout the year, though, in practice, they were enjoying this rights from time immemorial.

"As regards the third objection, the Executive Engineer was of the view, expressed at the conference, that even if the Mettur reservoir be closed, the hydro-electric discharge would be 3,000 cusecs (cubic feet of water per second) which would be far above the need of the Raja, etc. Channels, which have a maximum run of only 250 cusecs. They ryots apprehend that if Mettur water-level further goes down, it would not be possible to maintain even the hydro-electric discharge at 3,000 cusecs, and they point out that when this happened last year, the hydro-electric discharge was allowed only on alternate days. This objection deserves consideration, and I feel that if Mettur is shut down, the ryots should be allowed to draw the entire spring water supply, and they should not be impeded by the shifting of the head-sluice as proposed.

"The objection of the ryots regarding installation of pump-sets below the Dam deserves no consideration, as the Executive Engineer assures a normal supply of 3,000 cusecs, under fair conditions. As regards the point about the formation of shoals in the river-bed, the objection is sustainable, but the position could be remedied by the P.W.D.

3. The objections have considerable force and have to be attended to carefully. The fact that the sluice-vent is large and that it is always kept under regulation, will be relevant only when water supply is copious. Difficulties will arise when the level of water goes down and the Mettur reservoir is also closed down for irrigation. The apprehensions of the Raja, etc. Channel ryots appear to be deep-rooted and it will not be easy to allay them.

Serial No. VI :

Memorandum No. 100099-J/52-4 PW (1) dated 13th February, 1953.

[Irrigation—Salem District—Raja, etc. Channels—Protest against introduction of turn-system.]

References :—Petitions from the ryots of Raja Komarapalayam, etc. Channels dated 24th November, 1952—and dated Nil—Government memorandum No. 100099-J/52-3 dated 12th December, 1952 and reply from Collector of Salem ROCH 22174/52 dated 23rd January, 1953.

Copies of the reference cited are forwarded to the Chief Engineer (Irrigation) for very urgent remarks, through Board of Revenue, with special reference to the contention raised, that the restriction of watersupply to the Raja, etc. Channels, by the introduction of the turn-system is opposed to the legal rights of the ryots under those channels.

(Sd.) Asstt. Secy. to Govt.

P.W.D.

Serial No. VII.

Letter from the Chief Engineer (Irrigation), to the Secretary to the Government, P.W.D., dated 15th May, 1953, No. 787/53-J-6.

[Irrigation—Salem Distt.—Raja, etc. Channels—Protest against introduction of turn-system.]

Reference : Government Memo. No. 10099J/52-4 P.W.D. dated 13th February, 1953.

The several petitions, enclosed with the above memorandum, from the Raja, etc. Channel ryots are in protest of the turn-system approved by Government. The circumstances under which a kind of rationing of the available meagre supplies in the Mettur reservoir, was ordered by the Government, are too well known to be recapitulated here. This rationing of water, or the turn-system was adopted with a view to conserving available supplies in the interests of the total irrigation of the entire Cauvery system, in Salem, Tiruchirapalli and Tanjore Districts.

2. The exact extent and intention of these orders, as applicable to the Raja, etc. Channels, are clearly set out of the Local Assistant Engineer, who has pointed out that the head-sluice of the Raja Channel was closed on the evening of the 24th November 1952 on the basis of a turn-system approved by Government. Meanwhile, on further consideration of the Chief Engineer's

subsequent recommendations, advocating continuous, though restricted supplies (which recommendations were approved by Government in their Memo. No. 79153-J/52-15 P.W. dated 26th November, 1952) Government authorised suitable modifications of the earlier orders. In accordance with these orders, the turn-system was abandoned and the head-sluice was reopened on 28th November, 1952. Hence, all the closure, the Raja, etc. Channels had, was only for 4 days and all the uproar that has been raised is against this very short closure.

3. The petitioners talk of their hoary rights inherited from the times of the old Hindu kings, the rights for the perennial supply of water, their superior position, as upper riparian ryots, *vis-a-vis* Tanjore Delta landowners, and how their lands to the extent of 6,000 acres suffered for want of water, due to the closure. Leaving aside their inherited or acquired rights, and coming to the loss or damage alleged in these petitions, I must say that these latter are absolutely baseless and imaginary. The Raja Channel has the supreme advantage of being high up in the Cauvery, with a regulator built just by the side of the head-sluice, so that the channel draws full supply, even superfluous supply, even when the flow in the Cauvery is small. In a report made in another connexion to Government, I have pointed out how, ever since the Jedarpalayam regulator was built, this Rajah channel has been drawing 2 or 3 times the quantity of water it ever drew in the pre-regulator days, mainly because of the fact that, for the greater portion of the year, we are able to send full supplies now, as against only a portion, in the years before. The outcry from this channel area, which has been fed so far sumptuously, simply because the channel was closed for just four or five days in the year, would be similar to a glutton complaining of starvation when a small reduction is made in his all-too-prolific food supply for a day or two. On the facts of the case there should be no damage to any of the lands; on the other hand reports show that even the tail-end lands had nearly one inch of water on the 29th (Nov.) evening. The allegations of loss of crops may be taken as baseless.

4. Coming now to the question of their inherited rights, their accustomed supply of water, etc., the Collector of Salem has, in his letter dated 25th November, 1952, expressed fears that even this turn-system may be an interference with their time-honoured rights and hinted at the possibility of civil litigation. I would prefer to leave this question, of the rights of the ryots as against the paramount rights of Government, to regulate water supply in times of scarcity, etc., to be decided by Government, in consultation with their legal experts. But I would like to make one or two observations on the exclusive claim of the ryots, that they should have their accustomed uninterrupted supply, all through

the year, *whatever may be the position of flows in the Cauvery*. It will be difficult, it seems to me, for Government to concede this claim *in toto*, especially during times of acute scarcity, without overlooking the legitimate claims of the other irrigation interests, under the same Cauvery, and without surrendering as it were, the sovereign right the State possesses to regulate water in public streams, so as to utilise the water to the best advantage. I find that certain High Court judgments pronounced in the past, while recognising that "the ryot is entitled to receive the water, which his lands have been accustomed to, for irrigation purposes without interference by Government or anyone else" also recognize the fact that "*in years of shortage the only obligation of Government is to make an equitable distribution of water*". The ryot has a claim against the Government when it withholds from him water, which he has the right to get, *taking into consideration the supply available*." The above questions have been taken from a Government Order dated 27th March, 1939 containing the High Court's judgment on the Red Hills tank case (*Italics mine*). The observations of the High Court recognize the paramount right of Government to conserve and distribute available supplies. Such a course was adopted in the case of the Raja, etc. channels, when a turn-system was introduced.

5. In an earlier High Court judgment, the following observation find a place (Appeal No. 263 of 1930). "It has been generally stated that the ryotwari holder is only entitled to claim that the supply of water required to cultivate his registered land should not be *materially* diminished by any act of Government". In the present case, it is clearly established that the channel *ayacut* did not suffer in any way due to closure for four days.

6. The above observations would appear to establish that the Government were fully within their rights when the approved of the turn-system, seeing that it was adopted (i) to conserve and distribute available supplies to all existing irrigation interests (ii) no sensible injury has been inflicted on any of the contending parties.

7. A copy of this letter is being sent to the Board of Revenue.

Serial No. VIII :

Proceedings of the Board of Revenue No. 6167, dated 19th August 1953.

[Irrigation—Salem District—Raja, etc. channels—protes against the turn-system.]

Read the following paper :

Letter from the Chief Engineer (Irrigation) No. 787/53/J-6, dated 14/15th May, 1953.

Resolution :—6167, dated 19th August, 1953 submitted to Government.

2. In the circumstances reported by the Chief Engineer, the Board agrees with him and requests that final orders may be passed, in consultation, if necessary, with the legal officers of the Government.

Note : The answers given below are the model answers given by the Examiner in the commentary to this paper.

ANSWER TO S.A.E. QUESTION PAPER JANUARY 1956

I. Precis

Subject : Representation from the ryots of Rajah & Komarapalayam Channels in Salem District, against the introduction of the turn-system for regulating water in the Cauvery system.

In their letter dated the 24th November, 1952, certain ryots owning lands in the Rajah and Komarapalayam Channels in Salem District, addressed a petition (with copy to Government) to the Chief Engineer, drawing his attention to the proposed closure, for ten days, of water supply in the above channels, with a view to helping the cultivators in the Tanjore Delta. The petitioners contended that :

- (a) the closure would affect their legal rights as higher riparian land-owners ;
- (b) that it would be detrimental to food production ; and
- (c) that the above channels, being of immemorial origin, should command precedence over later ayacuts of more recent origin.

They also claimed that their lands required relatively less water and that the surplus drained back into the Cauvery. They cited some previous assurances given to them at the time of the construction of the Mettur Dam that their accustomed water supply would not be curtailed and also pointed out that the proposed closure might not, in reality, benefit the Tanjore Delta cultivators, in view of the uncertain water position in the Mettur Dam itself.

The Chief Engineer (Irrigation), on a reference from Government pointed out, in his letter No. 1819/52. B. 59, dated the 25th November, 1952, that he had, in response to a similar petition from the cultivators in the above channels, already issued instruction to the Superintending Engineer, Tanjore Circle, that, instead of a complete closure on a "turn system", the water supply in the Salem District and Tanjore Channels should be adjusted by regulated but continuous flow. Incidentally, he mentioned that, although in the past, it had never been the practice to close the channels in question yet a *prorata* basis of distribution of the ayacut supply had to be resorted to, in view of the special condition which prevailed at the time.

In another memorial (dated nil but received by Government on 2nd December, 1952) the same ryots requested the Hon. Minister for Public Works to interfere in the matter, repeating practically the arguments put before the Chief Engineer but adding the allegation that the Government had, in a previous Memo. No. 2564/D.39/3/P.W. Irrigation, dated the 22nd August, 1939, recognized the inherited rights of ayacutdars for a natural supply of water, even after the construction of the Metter Dam, and implied that the present closure constituted a legal infringement of those rights.

On this petition being referred by Government to him for early report, with particular reference to the alleged legal rights of the landowners to unrestricted supply, the Collector of Salem in his letter No. ROC. H/22174/52, dated the 23rd January, 1953, observed that :

- (a) While the ryots in the above channels claimed a right to a perennial supply, the Executive Engineer, River Conservancy Division, argued that the Tanjore Delta had a preferential right for irrigation, and,
- (b) that the records of the District, as contained in the District Manual and the "Record of Rights" prepared for the affected villages, showed that these channels had for a long time been accustomed to a perennial supply of not less than two feet and that the villages, in the past, were supplied with water throughout the year to facilitate continuous agriculture.

The Collector drew Government's attention to two letters (1) dated the 25th November, 1952 and (2) No. ROC. 22174/52, dated the 10th October, 1952, addressed by him to the Superintending Engineer, Tanjore Circle. In these letters, he had pointed out to the Superintending Engineer that the turn system of $3\frac{1}{2}$ days

a week would seriously impede cultivation, especially since the flow in the channels had been affected by reduction in the water let down below the Mettur Dam, the installation of a large number of power pumps between the Dam and the Channel heads and the natural formation of shoals in the river bed close to the channel bed regulator. He pointed out further that the contention of the Executive Engineer, River Conservancy Division, that even if the Mettur Reservoir be closed for irrigation, still the hydroelectric discharge of 3000 cusecs would be maintained was found to be untenable since the hydro-electric discharge itself was not constant and liable to stoppage owing to water shortage in the reservoir. The Collector held the view that the apprehensions of the ryots had considerable force and deserved careful consideration.

The Government, in their Memorandum, No. 100099. J/52-4, P.W. (I), dated 15th February, 1953, referred the correspondence with the Collector to the Chief Engineer (Irrigation) for further urgent comments through the Board of Revenue, particularly as regards the alleged legal rights of the ryots being affected. In his letter No. 707/53 J.6, dated the 15th May, 1953, the Chief Engineer commented in detail on the points raised by the Collector as follows :

- (a) although a suspension of water supply was ordered initially, yet these orders were subesequently modified, abandoning, after four days, the turn-system and introducing a regulated and continuous supply ;
- (b) the allegation of the petitioners of serious loss or damage to crops was totally without foundation since the period of suspended supply was very short and on the resumption of continuous supply even the tail and channel lands received more than one inch of water ; and
- (c) concerning the claim for continuous supply on the basis of ancient inherited rights, it was, of course, necessary to obtain legal opinion, but the rights of the cultivators had to give precedence to the superior authority of the State to regulate the water in public streams, so as to utilise the available water to the best advantage. This fact had been emphasized in recent High Court judgement, where the opinion had been expressed that "in years of shortage, the only obligation of Government was to make an equitable distribution of water". The same judicial opinion had been supported in an earlier judgement of the Madras High Court (of 1930) that the ryot was only entitled to claim that the supply

of water needed to cultivate his registered lands should not be materially diminished by any act of Government (and not of Nature).

The Chief Engineer concluded by stating that both from the point of view, of law and the actual facts of the case, there had been no infringement of the rights of the cultivators and no injury had been inflicted on them.

The Board of Revenue in their proceedings No. 6167, dated 19th August, 1953 while forwarding the views of the Chief Engineer (Irrigation) endorsed them *in toto*, but suggested the issue of orders by Government, after consultation with their legal Advisers.

II DRAFT.

GOVERNMENT OF MADRAS

Abstract.

Irrigation—Salem District—Rajah and Komarapalayam Channels—Introduction of 'turn-system'—Claims of ayacutdars for continuous supply—Orders passed.

Public Works (Irrigation) Department.

G.O. No. 245

Dated.....

In their representations of 24th November 52 and December 52 protesting against the closure of the Rajah and Komarapalayam channels consequent on the introduction of the turn-system, under the orders of Government, in the channels taking off from cauvery, the ryots under above named channels claimed that such a closure was opposed to their legal rights for uninterrupted and continuous supply and also alleged that due to the closure of the channels, their crops had seriously suffered for want of adequate water.

The Government have gone into the facts of the case carefully. As regards the claim of the petitioners for continuous and unrestricted supply in their channels, it is true that, in this case, the turn-system was abandoned, after a few days, in favour of a regulated supply, at the initiative of the Chief Engineer. However, the Government have examined the legal and other aspects of the case and have come to the conclusion that the

obligation of the Government is to supply water necessary and sufficient for accustomed requirements, only so long as such supply is not adversely affected by natural causes such as deficiency in rainfall, scarcity of water at the usual sources of irrigation, etc. The Government are advised that they have a superior right to regulate the supply from an irrigation source, in whatever manner they deem necessary, so as to make an equitable distribution of the available supplies between the various ayacutdars served by the common source, to secure the best advantage for food production, and irrespective of the age or geographical position of the ayacuts.

Government are also convinced that in this particular case there has been no damage to the petitioners' lands as a result of the introduction of the turn-system for a brief period.

The contentions of the petitioners are, therefore, untenable, and the Government regret that they have to reject them. The Collector, Salem, is requested to inform the petitioners accordingly.

(By order of the Government)

(Sd.).....

Secretary to Government.

To

The Board of Revenue

The Chief Engineer (Irrigation) P.W.D.

The Collector of Salem.

Commentary

Commentary on the mistakes generally committed by the candidates in answering question paper on precis drafts set in the S.A.S. Examination held in May, 56.

Precise and Draft

The general standard of performance was rather unsatisfactory. A large percentage of students did not appear to have a clear conception of what is expected of a precis. A precis is intended to bring out the salient features of the correspondence, eschewing redundant or repetitive material, following a logical sequence in the narration, and observing the utmost economy of words in the process. A perusal of the answer papers revealed that, in many cases, the candidates were inclined to repeat themselves or to use the phraseology of the original correspondence often, to the detriment of brevity and clarity. In a good precis, the candidate should, as far as possible, try to epitomise the gist

of the correspondence in his own language, using as few words as possible. Many candidates had a fatal attraction towards using the language of the text, often without understanding their import. A good precis should not sound like a precis, but like an easy, if terse, narrative. A precis is not even a summary; it is a coherent, consecutive and readable digest of the correspondence, bringing out its salient points and leading to the climax or conclusion, which will be naturally reflected in the draft.

The performance on the draft was even worse than on the precis, since the candidates could not merely reproduce the text in the Draft as they could do in the precis. The examinees had the choice of using either the "memorandum" form of Draft or a straight letter. The former was obviously indicated as the text itself contained specimens of this form of reference from Government. If the Draft had been shaped as a Memorandum, it should have cited previous references and been couched in the third person but many candidates failed to cite any reference or to use the indirect form of communication. When the Draft was a letter, often the correct (*i.e.* direct) phraseology was not used, and the openings and the subscriptions were not in the approved form. Some drafts referred to the advice of the legal department or to the High Court Judgments, while some mentioned that the letter memorandum was being issued after consultation with the Collector of Salem, Chief Engineer, etc. Such references were obviously out of place in a Government Order.

Apart from the above general deficiencies in performance, there were various other defects worth detailing. Very often, the **same tense** was not maintained throughout, and many candidates seemed to be unaware that, in the past tense, the words "could", "would" and "might", should be used instead of "can", "will", and "may". The rules of grammar were often deviated from. Some words like **existence, extension, judgment, offered, referred** were misspelt. There were also some evidence of carelessness, inasmuch as the **Mettur Dam** was referred to as **Mathur Dam** or **Muttra Dam**, the Collector of Salem, as the Deputy Commissioner of Salem, etc. Some candidates read the text so **perfunctorily** as to **make the draft emanate** from the **Ministry of Public Works, Assam**. Many candidates omitted to indicate the subject matter of the Precis or the draft and a large number failed to show to whom the Draft was addressed or endorsed, and with what instructions.

S. A. E

November 1956

Time allowed—3 hours]

[Maximum Marks—150

Marks

- I. Prepare a precis of the memoranda, letters and other material marked I to VIII.** 90
- II. Draft a self-contained Office Memorandum to be issued by the Finance Department in continuation of the Finance Department Office Memorandum No. F. 19 (5)-Ex. I/33, dated the 31st July, 1939, to convey the final decision of the Government of India in regard to (1) the revision of the compensatory allowances in Bombay and Calcutta admissible to officers of the Central Services Class I and Railway Services Class I, who were appointed by the Secretary of State in Council, and (2) the sanction with retrospective effect of reduced compensatory allowances at Bombay and Calcutta to other officers of the same and other services under the rule-making control of the Governor-General in Council.** 60

I

Extract from Government of India, Finance Department Resolution No. D-5067-C.S.R., dated the 10th October, 1924.

The Government of India have had under consideration the question of granting compensatory allowances to officers of Central Departments under their administrative control who are stationed at expensive places. They consider that the stations where the cost of living is felt most severely are Madras, Bombay, Karachi, Calcutta and Rangoon, and that relief is justified in the case of officers stationed at those places who are on a general scale of pay and are liable to transfer from one station to another. The same considerations do not apply to officers who are recruited locally for local service and whose rates of pay vary from station

to station, are fixed with reference to local conditions and are not on the same scale throughout India. The Government of India have, therefore, decided to sanction the scale of allowances detailed below to officers belonging to services or holding appointments which are included in the schedule appended to this Resolution.

Compensatory Allowance for officers stationed in Bombay, Calcutta and Rangoon

Pay	Amount of allowance
	Rs.
Up to Rs. 499	75
Rs. 500 to 599	90
Rs. 600 to 799	105
Rs. 800 to 999	120
Rs. 1,000 to Rs. 1,499	135
Rs. 1,500 and upwards	150
* * *	*

Schedule. [Not printed]

II

Government of India, Finance Department, Resolution No. F. 2-XXVI-Ex.-II/36, dated the 8th April, 1937.

The Governor-General in Council has reviewed, in the light of the circumstances now prevailing, the scheme of compensatory and house-rent allowances sanctioned in the Government of India, Finance Department, Resolution No. D/5067-C.S.R., dated the 10th October, 1924, and has decided that, while the house-rent allowance admissible at Madras, Bombay, Karachi and Calcutta should be continued at the rates and conditions specified in the resolution, as subsequently amended, the compensatory allowance drawn at Bombay and Calcutta should be abolished with effect from the 1st May, 1937. An officer who is at present entitled to the latter allowance will, however, be permitted to continue to draw it until his next transfer, or until he proceeds on leave exceeding four months.

III

Demi-official letter from F. W. H. Smith, Esq., India Office, London, to the Secretary to the Government of India, Finance Department, No. nil, dated the 17th May, 1938.

I am directed by the Secretary of State for India to forward, for the information of the Government of India, copy of a Question and of the Reply to it in the matter of the withdrawal of

compensatory allowances from officers of the Central Departments stationed in Bombay and Calcutta.

I am to ask that the views of the Government of India on such of the protests as have been made by officers who were appointed by the Secretary of State, against the withdrawal of these allowances, may be forwarded at an early date.

Question. (Not printed)

Answer to Sir John Wardlaw-Milne's Question No. 5, dated 16th May 1938.

Lord Stanley:—I understand that the Government of India have withdrawn these allowances from officers of their central departments serving in Bombay and Calcutta on the ground that they are no longer compensatory but have become a source of profit. My Noble Friend is aware that protests have been made and is expecting to receive the views of the Government of India on such of these protests as have been made by officers who were appointed by the Secretary of State in Council.

IV

Letter to the Under-Secretary of State for India, Services London and General Department, India Office, No. F. 19 (5)-Ex. I/38, dated the 30th June, 1938.

I am directed to invite a reference to Mr. Smith's letter No. S & G., dated the 17th May 1938, and to forward in original the memorials received from certain officers of the Central Government who were appointed by the Secretary of State, protesting against the withdrawal of the compensatory (cost of living) allowance in Calcutta and Bombay. The memorials which are almost identical in character, are addressed to the Governor-General in Council except one which is addressed to the Secretary of State. A copy of the Metropolitan of India, Burma and Ceylon on the same subject is also enclosed.

* * *

(Paras. 2 to 12—not printed).

13. The Government of India are convinced that they have full power to discontinue these allowances. Compensatory allowances are defined in Fundamental Rule 9 (5), and Fundamental Rule 44 delegates power to the Governor-General in Council to grant such allowances provided that "the allowance is not on the whole a source of profit to the recipient." This delegation was also explicitly recognised by the Financial Secretary, India Office, in his letter No. F. 10231, dated the 19th October, 1921. The delegated power was exercised in the grant of compensatory (cost of living) allowances by the Provisional and Central Govern-

ments in 1923 and 1924. This position was maintained by the Civil Services (Classification, Control and Appeal) Rules of 1930 — [Rules 9(1) (ii), 26 and 33 (i)].

14. Nor has the Government of India Act, 1935, derogated from this power. For the Secretary of State's Services, the Governor-General may make rules under Section 247 (i) (b). The word "remuneration" has been judicially interpreted as "whatever consideration a person gets for services rendered," whereas a compensatory allowance is "reimbursement for expenditure incurred." Consequently the *proviso* to Section 247(1) does not restrict the power of altering the compensatory allowance rules, in conformity with Fundamental Rule 44, so far enjoyed by the Central Government. It might appear at first sight that Section 258(3) restricts a power so far enjoyed in respect of officers of Central Service, Class I or a Railway Service, Class I, appointed by the Secretary of State and still enjoyed in respect of the generality of officers appointed by the Secretary of State. The Government of India are, however, of the opinion that an order reducing a compensatory allowance which has been adjudged by Government to be a source of profit is not an order "adversely affecting" allowances within the meaning of Section 258 (2) and consequently, in respect of compensatory allowances to these Services also, the Government of India enjoy full powers. In more general terms the Auditor-General has recorded his view that compensatory allowances are not "protectable" conditions of service.

15. The Government of India, therefore, hold that their order abolishing the compensatory (cost of living) allowances at Bombay and Calcutta, which had become a source of profit to the recipients, was equitable and within their powers of sanction; and I am to recommend that the Secretary of State may be pleased to reject the memorials.

V

Letter from the India Office, London, to the Secretary to the Government of India, Finance Department, No. S. & G. 4342/38, dated the 22nd September, 1938.

In reply to Mr. Symons' letter No. F. 19 (5)-Ex. I/38, dated 30th June, 1938, I am directed to inform you that after careful consideration of the arguments advanced by the Government of India the Secretary of State finds himself unable to accept their contention that Section 258 (3) of the Government of India Act, 1935, places no restriction on the power of altering the rules governing the grant of compensatory allowances to officers of a Central Service, Class I, or a Railway Service, Class I, who were

appointed by the Secretary of State in Council, which they possessed before the Act came into force.

The Secretary of State is advised that, whether or not it is a source of profit to the recipient, an allowance which is treated as an addition to pay to the extent of being subjected to income-tax, cannot be regarded as not falling within the meaning of the word "allowances" in Section 258 (2) of the Act, and that the order of the Government of India withdrawing the compensatory allowance from officers stationed in Calcutta and Bombay was *ultra vires* so far as it purported to relate to officers appointed by the Secretary of State in Council.

In view of this advice, the correctness of which he sees no reason to question, the Secretary of State has carefully considered whether he should now himself issue an order withdrawing the allowance from officers appointed by the Secretary of State in Council and he has come to the conclusion that it would not be proper for him to issue such an order unless he were satisfied that after taking account of house allowance, the necessary expenditure of an officer stationed in Bombay or Calcutta is no longer in excess of that of an officer stationed in other towns in India. In view of the statements contained in the enclosures to the letter under reply, the Secretary of State does not feel that on the information at present before him it can be held to be established that the cost of living is no longer substantially higher in Bombay and Calcutta than elsewhere in India and he is consequently unable to issue an order of the kind required to validate the action of the Government of India so far as officers appointed by the Secretary of State in Council are concerned. He must therefore ask that the compensatory allowance in question should now be restored to all officers of the Central Services, Class I, and the Railway Services, Class I, serving in Bombay or Calcutta who were appointed by the Secretary of State in Council, with retrospective effect to the date on which it was withdrawn from them by the order of the Government of India that has been held to be invalid.

I am to add that if the Government of India wish to pursue the question of withdrawing or reducing the allowance from officers appointed by the Secretary of State in Council, the Secretary of State will be glad to consider any proposals that they may desire to submit to him on the matter after the question of the cost of living in Bombay and Calcutta as compared with other parts of India has been made the subject of an enquiry and opportunity given to the officers concerned of submitting any arguments in support of the continuation of the allowance in whole or in part that they may wish to adduce. The Secretary of State is ready to consider the matter further as soon as he is satisfied that a case for withdrawal or reduction of the allowance has been

made out, but in view of the responsibility imposed upon him by Section 258 (3) of the Act he does not feel able to regard the case at present presented by the Government of India as sufficiently substantiated to justify complete withdrawal of the allowance.

VI

Office Memorandum from Government of India, Finance Departments of the Government of India, No. F. 19 (5)-Ex. 1/38, dated the 31st July, 1939.

The undersigned is directed to refer to the Finance Department Resolution No. F. 2-XXVI/Ex. II/36, dated the 8th April, 1937, and to state that the Governor-General in Council is informed that the decision to discontinue the grant of compensatory allowances to officers at Bombay and Calcutta, conveyed therein was *ultra vires* in its application to officers of Central Services Class I, and Railway Services, Class I, who were appointed by the Secretary of State in Council. The Governor-General directs, therefore, that the compensatory allowances in force on the 31st of March, 1937, be restored to such officers, and also to Secretary of State's officers serving under the Government of India to whom Section 258 (3) of the Government of India Act, 1935, does not apply, with effect from the date on which they were withdrawn from them. He does not propose, except in circumstances described in the next paragraph, to restore the allowance to any other officers (under his rule-making control).

2. The Secretary of State has requested the Governor-General in Council to produce further evidence to show whether the compensatory allowances in question are, in fact, justified or not, and the Governor-General in Council has decided to place an officer on special duty to investigate how the necessary expenses of officers of the Central Services and of Secretary of States' Services serving under the Central Government when stationed in Calcutta or Bombay compare with those which they have to meet when stationed (a) in other large towns in India and (b) in the case of Railway Officers especially, in an average *mofussil* station. The enquiry will be confined to classes of officers whose compensatory allowances were withdrawn under the Resolution above mentioned. The Governor-General in Council will be prepared in the case of the officers referred to in the last sentence of the preceding paragraph, to sanction with retrospective effect from the date on which the original compensatory allowances were withdrawn, any compensatory allowances which the said enquiry may prove to be justifiable.

VII

Letter to His Majesty's Under-Secretary of State for India, London, No. F. 19 (5)-Ex. 1/38, dated the 27th December, 1939.

I am directed to invite a reference to the correspondence ending with Mr. Smith's letter No. S. & G. 3758/39, dated the 12th of July, 1939, regarding the compensatory allowances at Calcutta and Bombay and to state that as directed by the Secretary of State for India, the allowances in question have since been restored to all his officers serving under the Government of India with effect from the date on which they were withdrawn from them.

2. In the India Office letter No. S. & G. 4342/38, dated the 22nd of September, 1938, it was stated *inter alia*, that if the Government of India wished to pursue the question of withdrawing or reducing the allowance from officers appointed by the Secretary of State in Council, the Secretary of State would be glad to consider any proposals that they might desire to submit to him on the matter after the question of the cost of living in Bombay and Calcutta as compared with other parts of India had been made the subject of an enquiry. The Government of India accordingly appointed Mr. N. J. Roughton, C.S.I., C.I.E., I.C.S., to hold such an enquiry and I am now to communicate for the orders of the Secretary of State the recommendations of the Government of India based on Mr. Roughton's Report (a copy of which is enclosed).

3. Before Mr. Roughton's recommendations can be discussed, there is one point which must be elucidated. In the Secretary of State's letter No. S. & G. 69/39, dated 8th March, 1939, he informed the Government of India that he did not contemplate that any attempt should be made to compare present conditions with those existing in 1924. What in his view required to be investigated was how the necessary expenses of Central Services officers when stationed in Calcutta or Bombay compared with those which they have to meet when stationed (a) in other large towns in India, and (b) in the case of Railway officers especially, in an average mofussil station. These instructions are not completely in accord with those, issued in the Secretary of State's letter No. S. & G. 2401/39, dated 3rd July, 1939 (not received until after informal instructions to commence his enquiry had been issued to Mr. Roughton) in which he informed the Government of India that the proviso to Section 247(1) of the Act must be regarded as prohibiting reduction or withdrawal of the compensatory allowances of Secretary of State's officers unless there is satisfactory proof that the conditions which led to the grant of these allowances have altered to such an extent as to justify reduction or withdrawal of the allowances. As

pointed out in this Department telegram dated the 4th January, 1939, any attempt to compare the relation in 1924 between the cost of living in Bombay (or Calcutta) and the cost of living in other places with the relation obtaining at the present time was likely to be inconclusive in the absence of authentic data on which to base scientific conclusions. The Government of India trust that they have correctly interpreted the Secretary of State's intentions in instructing Mr. Roughton not to attempt a *meticulous* comparison between the relative costs of living at the present day and in 1924 while impressing upon him the necessity of adducing satisfactory proof that the circumstances in which the grant was based have altered since 1924 and have, in fact, altered to an extent justifying the degree of modification he might propose. If the Government of India correctly interpret the Secretary of State's intentions they would have not, in fact, adopted any principles different from those laid down by the Secretary of State (*vide* paragraph 18 of the Report).

4. It is now possible to proceed to an examination of Mr. Roughton's explicit proposals which may be briefly summarised as follows :—

- (1) Compensatory cost of living allowances should be paid at reduced rates on the following scale—

Pay	Allowance
	Rs.
Class A—below Rs. 500	50
Class B—Rs. 500—1,499	75
Class C—Rs. 1,500 and above	100 (paragraph 19)

- (2) Officers of the Mint Department should cease to be eligible for the Bombay and Calcutta compensatory allowances (paragraph 7).

[(3) and (4) not printed.]

- (5) The proposals in sub-paragraph (1), above should be applied equally to Civil and to Railway officers.

5. Mr. Roughton has adduced satisfactory proof that the cost of living has fallen in Bombay and Calcutta since 1924. The food index and the non-food index based on wholesale prices in Bombay compare as follows:—

(1914—100)	Food index	Non-food index
1924	173	188
1938	102	100

While it would be unwise to assume that the general fall has *ipso facto* been the same throughout India, there can be no doubt

that in the absence of special factors insulting Bombay from the rest of the country, the fall in other parts of India must ultimately be of the same order. As Mr. Roughton points out (paragraph 12), unless other special factors have operated, the fall in the difference between the cost of living in Bombay and Calcutta and that in other places is directly proportional to the fall in the general cost of living. So that a fall in cost of living may, broadly speaking, be held to justify a proportionate reduction in a compensatory cost of living allowance. It can readily be demonstrated that the reductions in compensatory allowances which Mr. Roughton proposes are well within the limits which are justified by the indices quoted above, and it might be urged that these facts alone constitute satisfactory proof that circumstances have altered to an extent justifying the reductions proposed.

6. Mr. Roughton has not been prepared to rest content with these purely theoretical arguments, however, and has rightly devoted the major portions of his time to the collection of figures demonstrating the actual difference between the necessary expenses of officers serving in Bombay and Calcutta and those of officers in other places. From these figures he has deduced a scale of compensatory allowances which he considers equitable in present conditions.

7. On the facts and figures adduced by Mr. Roughton the Government of India have no comment to offer. They are prepared to agree that although Mr. Roughton has rightly rejected much of the evidence put forward as unreliable, there remains a sufficient volume of acceptable evidence to justify his recommendations. Subject to the comments in the following paragraphs, the Government of India support these recommendations for the consideration of the Secretary of State.

8. As the Secretary of State is aware, the compensatory allowance originally granted to Railway officers was designed to compensate for conditions different from those applicable to officers of other services. In the case of the latter, it was to compensate them for the difference in cost of living between Calcutta and Bombay and the larger up-country stations, whereas in the case of the former, it was to compensate them for the difference in the cost of living between Calcutta and Bombay and the average mofussil station. In the latter instance, on a simple comparison of relative cost of living, Mr. Roughton considers that there would be justification for raising the scales of allowances in classes A, B and C by Rs. 10, Rs. 15 and Rs. 20 respectively. He points out, however, that the proportion of officers serving in Bombay and Calcutta is much higher on the Railways than in the Central Services and consequently service in one of these towns

must be regarded to a greater extent as one of the normal conditions of their service. For these reasons Mr. Roughton has recommended that the same scale of allowances should, as in 1924, be applied to Railway officers as he recommends for other officers. With these conclusions the Government of India are after careful consideration in agreement. The Company-managed Railways will be invited to apply to their own officers the scheme adopted for officers of the State-managed Railways.

9. It has for some time been the view of the Government of India that not only was the initial grant of the allowances to officers of the Mint Department wrong in principle but it was also unjustified on merits. The fundamental principles upon which the scheme defined by the 1924 Resolution was based are :—

- (1) that the officers concerned should be on a general scale of pay, and
- (2) that he should be liable to transfer to any part of India.

The case of Mint Department officers satisfies neither of these criteria. When in 1924, officers of the Department represented their case for inclusion in the scheme, it was stated that while there was no liability of transfer to different parts of India, the rates of pay obtaining in the Department had not been fixed with regard to the cost of living in Bombay and Calcutta. This statement appears to have been accepted without the scrutiny it deserved. In actual fact, however, when the Mint Department rates of pay were revised in 1920, the cost of living was one of the main factors put forward and accepted as justifying revision. It is clear therefore, that not only must the existing rates be considered generous, based as they were on an inflated cost of living, but the very inclusion of the cost of living factor in their fixation renders the further addition of any cost of living compensatory allowances wrong in principle. The Government of India have no hesitation in agreeing with Mr. Roughton, therefore, that officers of the Mint Department have no claim to the benefit of the Bombay and Calcutta compensatory allowances.

10. They have some doubts, however, whether in view of the previous decision of this Government, it would be entirely equitable to apply this conclusion to officers who have previously been in enjoyment of the concession. While, therefore, they wish to emphasise that no officers of this Department can be considered eligible on merits for admission to the scheme, they propose that officers in service on the 30th April, 1937 (the date preceding that on which the original scheme was previously withdrawn) should be permitted to continue to draw the allowances

and that a decision to withhold should be applied only to officers appointed to superior posts in the Department subsequent to that date.

They have arrived at a similar conclusion in respect of the Zoological and Geological Surveys to which Mr. Roughton refers only in passing. Having carefully considered the present circumstances as well as the past history of the concession in respect of these surveys, the Government of India are satisfied that not only does this case not fulfil the conditions of the 1924 Resolution, but there is no justification on merits for the grant to the officers of these Surveys of a compensatory allowance. As with the Mint Department, however, they have doubts whether it would be entirely equitable to withhold the allowance from those officers previously in receipt of it. They, therefore, propose to treat such officers in the same way as they propose to treat the officers of the Mint Department and withhold the allowance only from officers appointed on or after 1st May, 1937.

[Paras. 11 and 12—not printed.]

13. ***the Secretary of State's approval is sought to the issue of these orders in so far as they affect his officers.

[Para. 14—not printed.]

15. I am to request that if there is no objection, the final conclusions of the Secretary of State may be communicated by telegram.

VIII

Telegram from the Secretary of State for India, London, No. Nil, dated the 13th March, 1940, to the Government of India.

Your despatch No. F. 19,5-Ex.-I/38), dated 27th December, 1939. Compensatory Allowance Officers serving in Calcutta and Bombay. I accept your proposal.

**ANSWER TO S.A.S. QUESTION PAPER OF
NOVEMBER 1956****I. PRECIS**

Subject : Compensatory Allowance for Officers stationed in Bombay and Calcutta.

In their Finance Department resolution No. D. 5067—C.S.R. dated 10th October, 1924, the Government of India sanctioned the grant of compensatory allowance to officers serving in Bombay and Calcutta at varying rates ranging from Rs. 75 to Rs 150. p.m. in the different pay ranges to compensate the officers for the high cost of living in those cities. They reviewed the position with reference to the prevailing conditions in 1937 and abolished the allowance with effect from 1st May, 1937. Officers who were drawing the allowance on this date could however continue to draw it till they were transferred or they proceeded on leave exceeding four months.

The abolition of the allowance evoked considerable protests and representation from the officers stationed in the two cities and question was also raised in Parliament in England on the subject. Consequently the Secretary of State for India desired in May 1938 to have the views of the Government of India on the protests made by officers appointed by him against the withdrawal of the allowances. In their letter No. F. 19 (5)-I/38 dated 30th June, 1938, the Government of India replied that they had full power to discontinue the allowances consistent with the powers delegated to them under F.R. 44 to grant such allowances. They expressed the view that Section 247 (i) (b) of the Government of India Act, 1935, empowered the Governor-General to make rules consistent with the judicial interpretation of the word "Remuneration" used therein. They held that Section 247 (i) *ibid* did not restrict their power of altering compensatory allowances and that the provision in Section 258 of the Government of India Act, 1935, protecting the remuneration of Officers of Central Services Class I and Railway Service Class I appointed by the Secretary of State could not apply to an allowance, which had been adjudged by Government to be a source of profit. They pointed out that the Auditor-General had recorded his view that compensatory allowances were not "protectable" conditions of service. They, therefore, held that their orders withdrawing the allowances, which had become a source of profit to the recipients were equitable and within their powers of sanction and recommended that the Secretary of State might reject the memorials.

After a careful consideration of the views of the Government of India, it was decided by the Secretary of State in his letter No. S. & G. 4342/38 dated the 22nd September, 1938, that an allowance which was treated as an addition to Pay could not be regarded as not falling within the meaning of the word "allowances" in Section 258 (2) of the Government of India Act 1935, and that the orders of the Government of India withdrawing the allowance were *ultra vires*, so far as they related to Officers appointed by the Secretary of State in Council. He, therefore, desired that the allowance should be restored to such officers of Central Service Class I and Railway Service Class I with retrospective effect from the date of withdrawal of the allowance ordered by the Government of India. He added that he would be prepared to consider the question of withdrawing or reducing the allowances, if the Government of India pressed the case after due enquiry of the comparative cost of living and after giving the affected officers an opportunity to adduce their arguments in favour of retaining the allowance. In accordance with these orders, the Government of India in their Finance Department Memorandum dated 31-7-39 restored the allowances to all Secretary of State's Officers. In order to consider the question further in respect of these and other officers, they appointed Mr. N. J. Roughton, C.S.I., C.I.E., I.C.S., to hold an enquiry. As a result of this enquiry the Government of India, who agreed with Mr. Roughton's report recommended that due to reduction in the cost of living, the allowance in Bombay and Calcutta should be reduced ranging from Rs. 50 to Rs. 100 in different pay ranges. They also expressed the view that the allowance should be uniform in the case of Railway and other officers. They added that in the case of officers of the Mint department, the allowance should not be admissible as they were not liable to be transferred elsewhere. The same arguments would apply with equal force to officers of Zoological and Geological Survey departments. In view, however, of the fact that the officers of all these departments, namely, Mint, Zoological and Geological Survey were already in receipt of these allowances, the allowance should be withheld only from the Officers appointed on or after 1st May, 1937. The Government of India sought the approval of the Secretary of State to regulate the allowance accordingly and the Secretary of State accepted the proposal in his telegram dated the 13th March, 1940.

Important Points to be noted

- (1) The Finance Department's Resolution of 1924 and the Government of India's sanction of a scale of Compensatory allowances.
- (2) Review of the situation in 1937 and the abolition of those allowances.
- (3) Mr. F. W. H. Smith's Demi-official letter.
- (4) The Government of India's contention and the firm stand by the abolition of compensatory allowances. Their letter to the Under Secretary of State for India.
- (5) The reply from the India Office calling upon the Government of India to restore the allowances and also calling for any proposals that justify the abolition of allowances.
- (6) Office Memorandum from the Finance Department to all Departments of the Government of India intimating the orders of the Secretary of State and the restoration of the allowances.
- (7) Government of India's letter to the Under Secretary of State for India discussing and commenting upon Mr. Roughton's recommendations and seeking the final conclusions of the Secretary of State.
- (8) The Secretary of State's approval of the proposal.

II. DRAFT

Office Memorandum No. F...../.....
 Government of India, Ministry of Finance
 New Delhi, Dated.....19 ..

Subject : Compensatory Allowance in Bombay and Calcutta.

The undersigned is directed to invite a reference to the Finance Department Office Memorandum No. F. 19 (5) Ex. I/38 dated 31st July, 1939 on the subject indicated and to state that the regulation of the compensatory allowances in Bombay and Calcutta has been carefully reviewed in consultation with the Secretary of State for India. The cost of living in these two cities has gone down considerably since 1924 when the allowance was originally fixed. It has therefore been decided with the concurrence of the Secretary of State that in modification of the existing orders the allowance admissible to officers of Central Service Class I and Railway Service Class I appointed by the Secretary of State will, with effect from 13th March, 1940, be as indicated below.

	<i>Pay</i>	<i>Allowance</i>
Class A below	Rs. 500	Rs. 50
„ B Rs. 500 to Rs. 999		Rs. 75
„ C Rs. 1500		Rs. 100

2. Officers of the Mint, Zoological and Geological Survey Departments appointed to posts in Bombay and Calcutta on or after 1st May, 1937, will cease to draw the allowance, as there is no justification for the grant of the allowance in their cases.

3. It has also been decided that officers under the rule-making control of the Governor-General in Council stationed in Bombay and Calcutta should be paid the compensatory allowance on the same scale as officers of the Secretary of State referred to in para 1 *supra*. They will, however, be entitled to the allowance only with effect from 1-5-1937.

Under Secretary,
 Government of India
 (Finance Department.)

To
 All Departments of Govt. of India.

S.A.E.

November, 1957

Time allowed—3 hours.]

[Maximum Marks—150]

Marks

- I. Prepare a Precis of the Memorandum, letters and notes given in Annexure A. 70**
- II. Draft a self-contained letter from the Government of Bombay to the Director of Agriculture sanctioning the Scheme for studies in the Economics of Farm Management on the lines of the decisions contained in the Secretariat Notes in Annexure and authorising him to engage the necessary staff subject to Government approval subsequently. 40**
- III. Rewrite the following sentences correcting all errors, and defects in construction :— 15**
- (a) Shri M. was due to cross the Efficiency Bar Stage of Rs. 85 on 3rd May 1956 and even if he was not allowed to cross the bar, his pay was increased to Rs. 89+1 due to the introduction of revised scale of pay.
 - (b) It may be informed that the Pay slip has been issued to you on 10-4-57.
 - (c) I have addressed Shri V. on 11th Feb. 1957 to recover from Shri P. the costs due.
 - (d) Immediately when the reply from the Department was received, I submitted the disposal to the Superintendent.
 - (e) Shri M. has worked hardly and it is recommended that this could be suitably recognised.
- IV. (a) Construct sentences illustrating the use of the following words and phrases :— 25**
- In consonance with, ad hoc, grounds of propriety, ultra vires, de facto, supersession, subserve, to the extent of, concurs, complementary.

Marks

(b) Fill up the blanks in the following sentences :—

- (i) The principle——the orders given above applies
——all services.
- (ii) The power of——retrospectively periods of——
without leave into extraordinary leave is
absolute.
- (iii) We are living in a——moving world and——
historic changes.
- (iv) It is a matter of——importance that there should
be a financial stock —— taking with a view to
——the progress of expenditure with the
progress of work.
- (v) As the matter is not——doubt, a——may be
made to the Comptroller and Auditor-General
for an——ruling.

ANNEXURE A

(1) *Memorandum on Studies in the Economics of Farm Management in India.*

The importance of farm management studies as a basis for sound agricultural policies has been recognised in all the advanced countries of the world. In India too, the studies have assumed considerable importance in view of the current programmes for agricultural development taken on hand and also in view of the need for farm management data in formulating and implementing policies of land management and land reform including the fixation of ceilings on holdings.

(2) It is proposed to undertake an enquiry into the economics of management in typical regions in country, in collaboration with the existing Research Institutes and Agricultural Colleges functioning in the different States. The broad details of the Scheme are given below.

(3) The studies of farm management and its economics involve the costing of farm business as a whole and of individual enterprises comprising it. Thus special emphasis will be laid on:—

- (a) estimating the requirements of labour, human as well, as animal, and of material such as seed and manure for production of principal crops; and,
- (b) estimating the expenditure on different items constituting the cost of production of crops.

Besides this, it may also be possible to study some other aspects of farm management such as :—

- (a) The size of farms in relation to efficient factor combination and in respect of farm income.
- (b) Type of farming, whether specialised, diversified or intensive and its effect on the results of farming enterprise.
- (c) Forms of manure, and their effect on productivity and on relative schemes.

(4) The two accepted methods for investigation are the 'Survey' method (or the extensive method) and 'Cost accounting' method (or the intensive method). The survey method provides a quick and cheap means of obtaining the necessary information under the Indian conditions, although it may have some drawbacks as compared with the cost accounting method, with regard to the reliability of the information collected specially from randomly selected farmers. On the other hand, the cost accounting method involves an elaborate field agency, considerable time and large expenditure. It is proposed to try both the methods in the present enquiry with a view to comparing the results for similar surveys in future.

(5) The minimum period for which the farm management surveys should be conducted is one crop year. But it is desirable that this survey should cover a period of at least three years to ensure that the results are truly representative. It is proposed to initiate the survey immediately as soon as the necessary arrangements are made; and in any case not later than the Kharif of 1954. Such surveys could be repeated once in ten years hereafter.

(6) As already stated the scheme will be implemented through local agencies consisting mainly of Agricultural Colleges or Research Institutes. The institutes proposed for work in the six regions are given below :—

(i) Bombay—Agricultural College, Poona

(Prof. P. N. Driver)

* * * * *

(7) The estimated costs have been worked out. The expenditure for each of the regions work out Rs. 82,500 per year inclusive of the cost of compilation, tabulation and printing of the report.

PRECIS-WRITING AND DRAFTING

LETTERS

1) LETTER FROM THE GOVERNMENT OF INDIA, RESEARCH PROGRAMMES COMMITTEE, PLANNING COMMISSION, No. PC/RPC/I 23/54, DATED 19TH MAY, 1954, TO THE ACCOUNTANT-GENERAL, CENTRAL REVENUES, NEW DELHI.

*Subject :—*Payment of grants-in-aid for the scheme of Farm Management in Bombay.

Sir,

I am directed to say that the President is pleased to sanction grant-in-aid of Rs. 21,875/- to Professor P. N. Driver through Secretary, Agricultural Department, Government of Bombay for the purpose mentioned above.

4. The Accountant-General, Bombay, may kindly be authorised to pass the bills in the usual manner when presented by the Secretary, Agricultural Department.

Copy to :—(1) The A.G., Bombay.

(2) The Secretary, Agricultural Deptt., Bombay.

(3) Professor P. N. Driver, Agricultural College, Poona.

(2) LETTER FROM THE AGRICULTURAL AND FOREST DEPTT., GOVERNMENT OF BOMBAY, No. A.G.R. 4554/33628-B, DATED 11-6-1954, TO THE ECONOMIC AND STATISTICAL ADVISER TO THE GOVT. OF INDIA, MINISTRY OF FOOD AND AGRICULTURE.

*Subject :—*Scheme for studies in the Economics of Farm Management.

I am directed to refer to the D.O. letter No. F-4-4/53-DV-ES, dated 12 April, '54, from Dr. Sen to Shri Ishwaran, on the subject mentioned above and to say that the scheme for studies in Economics of Farm Management in India forwarded therewith (printed as foregoing Memorandum) envisages the studies in the six regions of the country, one of which is the Bombay State. The cost of one region with two districts to be borne by the Research Programmes Committee of the Planning Commission is estimated at Rs. 82,500/- per year. In this connection, I am to invite your attention to the Research Programmes Committee's letter No. PC/RPC/I/23/54, dated the 19th May, 1954, from which it will be seen that the Government of India have sanctioned the amount of Rs. 21,875/- only during the first of the scheme against the estimated cost of Rs. 82,500/-. It is not